


CITY COUNCIL ACTION REQUEST			
DEPARTMENT(S) Airport	CEQA Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.	COORDINATION City Attorney's Office; City Manager's Budget Office	Director Approval /s/ Mukesh (Mookie) Patel CMO Approval  <div style="text-align: right;">6/3/25</div>
SUBJECT: Amendment to the Lease of Airport Premises with Sky Chefs, Inc.			
RECOMMENDATION			
<p>Adopt a resolution authorizing the City Manager or her designee to negotiate and execute the 10th amendment to the lease of airport premises between the City of San José and Sky Chefs, Inc. for a five-year extension with fixed annual increases to the concession fee amount through February 28, 2029, with early termination language allowing both the San José Mineta International Airport and Sky Chefs, Inc. to terminate the lease for any reason with a one-year written notice.</p>			
BASIS FOR RECOMMENDATION			
<p>On May 9, 1995, the City of San José entered into a lease agreement with Caterair International Corporation, titled Lease between the City of San José and Caterair International Corporation. On May 28, 1998, Caterair International Corporation assigned all its rights, title, and interest under the lease to Sky Chefs, Inc. (Sky Chefs). On January 11, 2008, the first amendment to the lease was executed, reducing the gross receipts rent payable for off-airport, non-airline catering services. On January 8, 2016, the second amendment to the lease was executed, extending the lease term to February 14, 2017, and allowing for two additional one-year extension options. On February 15, 2017, and April 4, 2018, the two one-year extension options were executed through the third and fourth amendments, respectively. On March 13, 2019, the City of San José and Sky Chefs entered a fifth amendment, extending the lease for an additional five-year term, expiring on February 14, 2024. Between August 5, 2020, and July 13, 2021, the sixth through ninth amendments were executed, each of which temporarily reduced concession fees and modified performance bond calculations due to the COVID pandemic. These adjustments applied to the period from April 1, 2020, through June 30, 2021.</p> <p>On February 15, 2024, the lease entered a mutually agreed holdover period. During this time, the Airport assessed the feasibility of incorporating the land into a larger development project, while Sky Chefs evaluated the long-term viability of their business at the Airport. After review, the Airport determined that the Sky Chefs property is not yet suitable for future development, allowing Sky Chefs to continue operations at the current location. The City is seeking approval for a 10th amendment to retroactively extend the lease for an additional five years from February 15, 2024, through February 28, 2029. This extension includes annual 0.5% increases to the 10% gross receipts rent for on-airport catering sales, retroactive from February 15, 2024, through February 28, 2029. Additionally, a mutual one-year written notice termination clause will be added to provide flexibility in the event the Airport needs to develop the site. The agreement, valued at approximately \$1.1 million annually, is estimated to generate \$6.1 million over the five-year extension.</p> <p>Delegating authority to the City Manager or her designee, will allow the City to amend the lease of airport premises retroactively from February 15, 2024, to extend the term by five years through</p>			

February 28, 2029, with annual 0.5% percentage increases to gross receipts rent payable and one year notice of termination by either party.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

COST AND FUNDING SOURCE

There are no costs associated with this action, and revenue for this agreement is estimated at \$1.1 million annually for a total of \$6.1 million over the five-year term extension.

FOR QUESTIONS CONTACT: Mukesh (Mookie) Patel, Director of Aviation, (408) 392-3610