

SILICON VALLEY'S AIRPORT



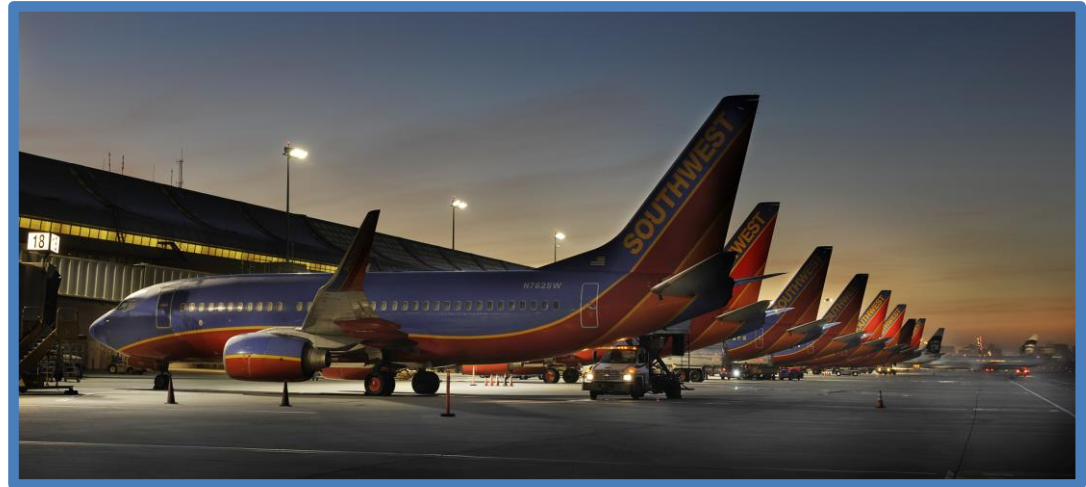
SJC Interim Facility

May 1, 2018

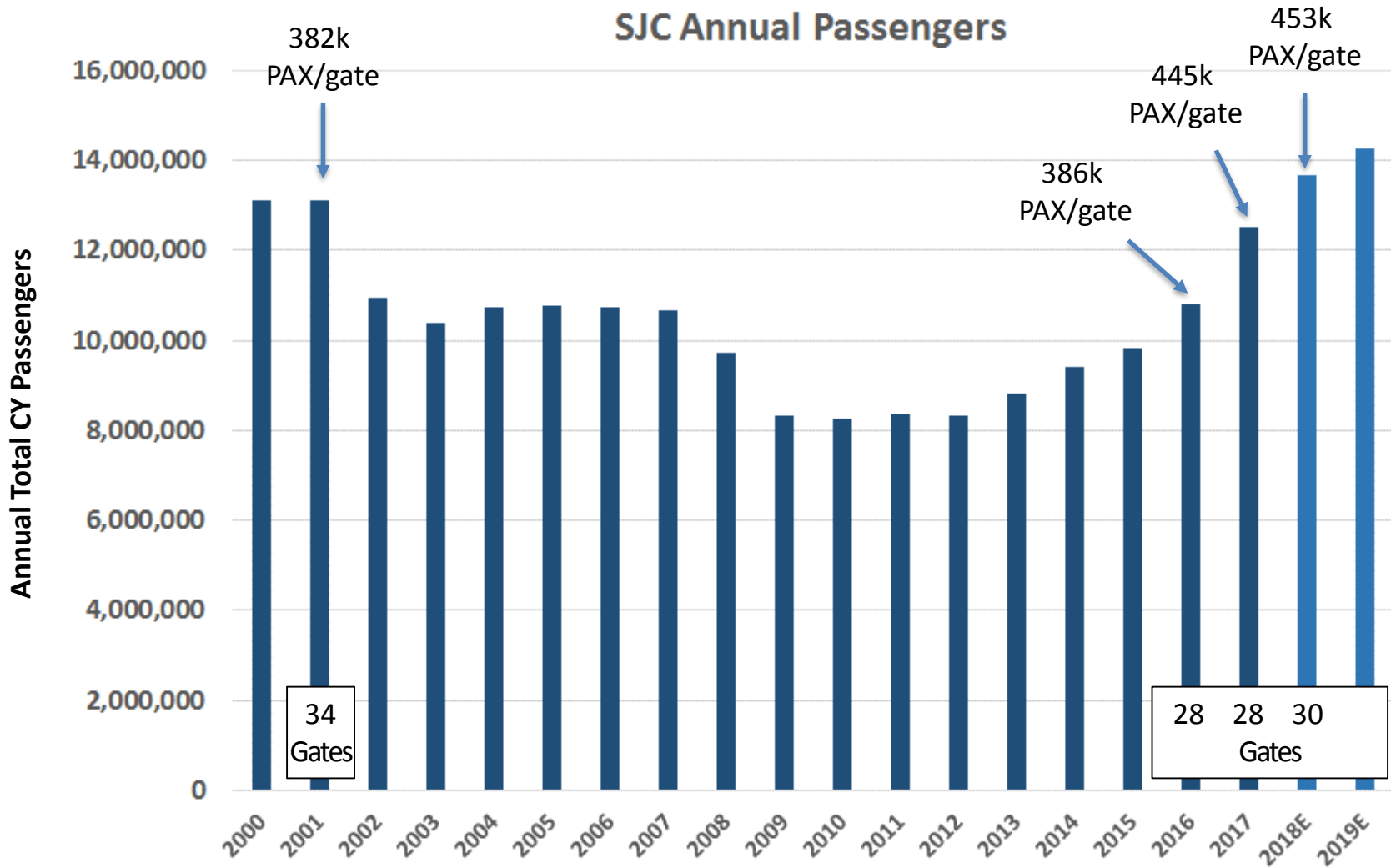
Why does the Airport Need an Interim Facility?



- Gate capacity is limited
- 43 planes park at the Airport overnight on average, but we only have 30 gates to load them for the first push
- Airport is already ground boarding planes and has experienced delays when no gates are available for an aircraft to deplane
- Limited gate availability limits availability of new routes



SJC's unprecedented growth leads to a surge in passengers per gate



PAX = Passengers

2018 passenger estimates are based on flights scheduled to start in 2018.

Gate Chart



Spots	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23																													
HOLD	0																																															
15	/HA 763		45 OGG				172 NRT		NH 769		171 NRT				259 SJD		AS 73H		259 SEA		46 OGG		HA/ 763																									
16	/UA 738		2088 EWR		930 GDL		Y4 320		930 GDL		7989 PEK		HU 789		7990 PEK										450 UA/ EWR 738																							
17	/F9 319		1514 SAT																				1843 SAT		F9/ 319																							
18	/WN 73W		2363 SNA		1477 WN 2288 ONT 73W PHX		432 GDL		AM 738		432 GDL		492 MEX		AM 738		493 MEX						279 CHR		BA 789		279 LHR																					
19 [WN]	/WN 73W		1872 SEA		883 WN 73W		883 WN 73W		1461 WN 73W		1461 WN 73W		1927 WN 73W		1927 WN 73W		2113 WN 73W		2113 WN 73W		2482 WN 73W		2482 WN 73W		2249 WN 73W		1603 WN 73W		149 WN 73H		1212 WN 73W		516 WN 73W		516 WN 73W		1680 WN 73W		190 WN 73W		1440 LAS		WN/ 73W					
20 [WN]	/WN 73W		2189 LAS		1971 WN 197 SNA 73W BUR		1869 WN 73W		1870 WN 73W		1599 WN 73W		1600 WN 73W		690 WN 73W		690 WN 73W		2274 WN 73W		2274 WN 73W		713 WN 73W		714 WN 73W		693 WN 245 LAS 73W SEA		1581 WN 73W		1582 WN 73W		1003 WN 73W		1004 WN 73W		239 WN 73W		240 WN 73W		1948 BUR		WN/ 73W					
21 [WN]	/WN 73W		2085 BUR		1887 WN 73W		1887 WN 73W		2391 WN 73W		2391 WN 73W				2327 WN 73H		2462 WN 73H		446 WN 73W		446 WN 73W		2321 WN 73W		2321 WN 73W		237 WN 73W		237 WN 73W		1859 WN 73W		1859 WN 73W		2527 WN 73W		1030 WN 73W		1118 WN 73W		1118 WN 73W		104 SNA		WN/ 73W			
22 [WN]	/WN 73W		1856 SAN		1559 WN 73W		2428 WN 73W		1894 WN 73W		2453 WN 73W		2151 WN 73W		1364 WN 73W		2462 WN 73W		1527 WN 73W		2426 WN 73W		2426 WN 73W		1939 WN 73W		1939 WN 73W		159 WN 73W		159 WN 73W		2243 WN 73W		2243 WN 73W		869 WN 73W		872 WN 73W		2319 WN 73W		2319 WN 73W		1022 PDX		WN/ 73W	
23 [WN]	/WN 73W		2335 LAX		37 WN 73W		37 WN 73W		2512 WN 2512 SLC 73W SNA		1368 WN 1368 PHX 73H MCO		853 WN 73W		854 WN 73W		974 WN 73W		975 WN 73W		1200 WN 73W		1200 WN 73W		586 WN 73W		868 WN 73W		1240 WN 73W		1240 WN 73W		1093 WN 73W		1094 WN 73W		416 WN 416 SAN 73H PDX		416 WN 73W		1446 WN/ LAS		73W					
24 [WN]	/WN 73H		2105 BWI		2161 WN 216 SEA 73W LAX		2112 WN 73W		2112 WN 73W		1875 WN 73W		1876 WN 73W		1260 WN 73W		1261 WN 73W		651 WN 73W		651 WN 73W		1556 WN 73W		1557 WN 73W		1170 WN 73W		1170 WN 73W		2019 WN 73W		2020 WN 73W		1465 WN 73W		1465 WN 73W		2214 LAX		WN/ 73W							

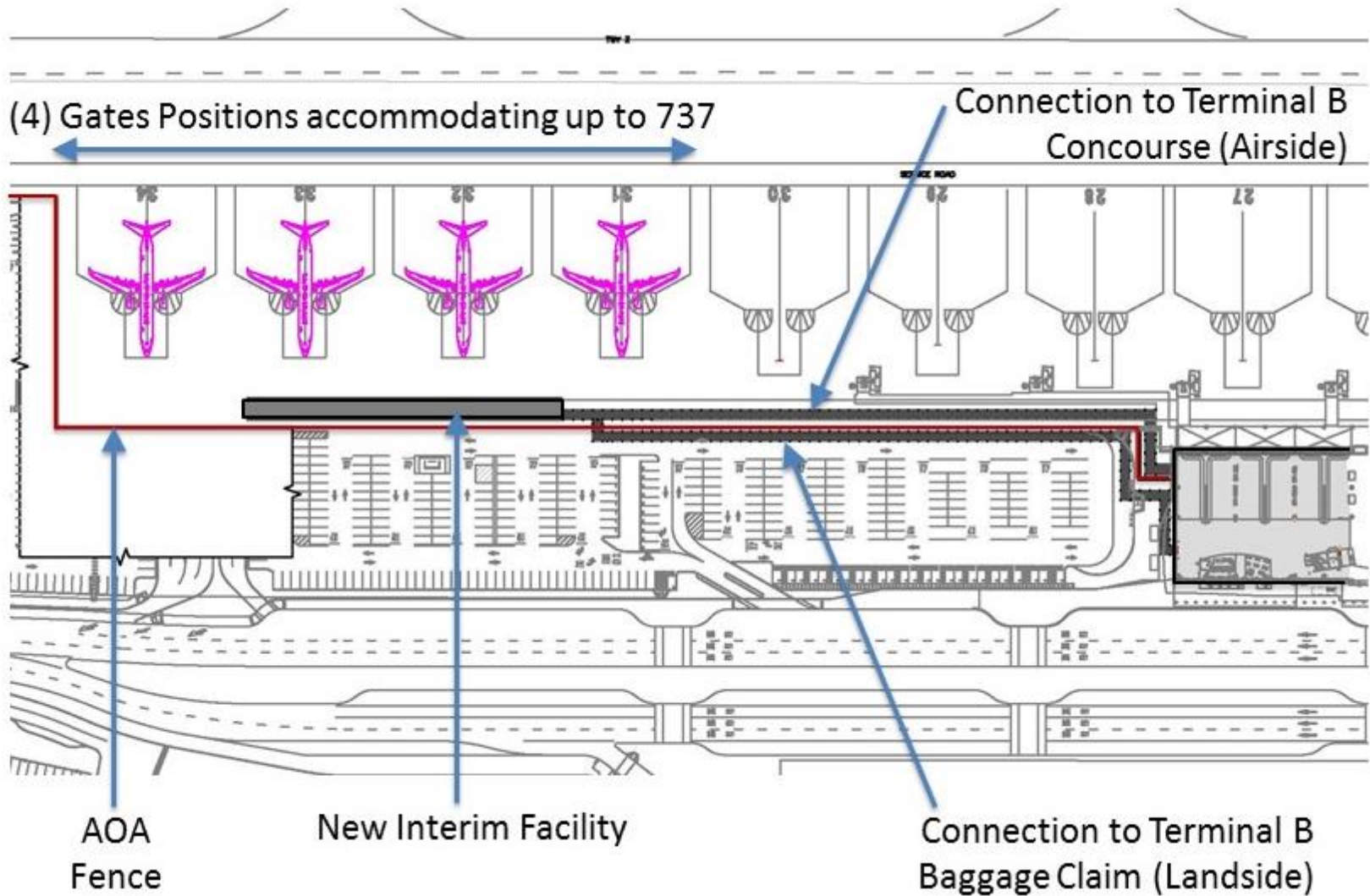
FIS Gates & Terminal B, Gates 19-24

SILICON VALLEY'S AIRPORT



Interim Facility

Interim Facility Plan



Interim Facility Cost/ Schedule



- Total Project Cost - \$50 million, +/- 15%
- Target Completion Date: June 2019 for operations in July 2019
- Funding through commercial paper

Estimated ROI



	@ \$50 million cost	@ \$58 million cost
Estimated Life of Interim Facility	5 – 7 years	
<u>6 Year Projected Net Revenue:</u>		
4 Interim Gates	\$19 million	
Additional Net Passenger Revenue	<u>\$42 million</u>	
Total	\$61 million	
Average Annual Net Revenue	\$10.3 million	
ROI	4.8 years	5.6 years

Comments:

- Airlines have approved this project and agreed to pay for it
- Economic impact is \$135 million annually
- Cost of not doing this:
 - Constraining airline growth
 - Loss of economic impact for the City of San Jose

Estimated Impact to Airline Rates



	FY18 Budget	<u>Annual Change</u>	Estimated FY20
CPE	\$10.36	<ul style="list-style-type: none"> • <u>O&M</u> = \$15M • <u>Interim Gates</u> = \$7M • <u>R&R</u> = \$2M 	\$10.33
Landing Fee	\$2.45		\$2.30
Terminal Rate	\$172		\$200
Preferential Gate	\$633K		\$715K

Expectation is to pay for the Interim Facility using Commercial Paper (“CP”). The plan is to pay off the CP within six years, by FY26.

- Debt Service drops by \$13 million a year starting in FY23
- Minimum CP payments made in FY20 through FY22, with higher CP payments made in FY23 through FY25
- Result will be stable and predictable CPE for the Airlines

SILICON VALLEY'S AIRPORT



Design Build Justification

Design-Build



- Design-Build allowed when:
 1. Cost exceeds \$5 million; and
 2. City Council finds that design-build would save money *or* result in faster project completion
- City has used Design-Build for:
 - Mineta San Jose International Airport Terminal Area Improvement Program - Phase I
 - San Jose McEnery Convention Center Expansion Project
 - The United States Patent and Trademark Office

Design-Build Justification



Design-Build:

- **Reduces risk** as contracts can include a guaranteed maximum price
- **Schedule savings** as the design and build process are more efficient
 - Design Build has an overall delivery speed of 33.5% faster than Design-Bid-Build
- **Cost savings** – Based on data from Leland Saylor Associates, a cost savings of some \$5.65 million

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Environmental

- The Director of Planning, Building and Code Enforcement approved the Eleventh Addendum to the Airport Master Plan Environmental Impact Report (EIR)
 - This finds that the Project will not have any significantly new environmental impacts
 - No new mitigation is required
 - No subsequent or supplemental EIR required

- Project meets Municipal Code prerequisites
 - Annual passenger volume needs to exceed 11.2 m
 - Airport exceeded 11.2 million passengers in April 2017 and is project to have 14 million passengers by Dec 2018
 - Certain transportation items need to be met
 - Airport and VTA have competed road projects identified in the Municipal Code
 - Airport is working with VTA on public transit options as outlined in the Master Plan and ASTRA

- Airlines understand the need for additional gates
- Airport has received formal Airline MII approval for this capital project per the airline lease agreement
- Cost of building the Interim Facility would be rolled into the rates and charges per the airline lease agreement

SILICON VALLEY'S AIRPORT



Airport Recommendation

Airport Recommendation



As detailed in the Council Memo:

- Approve the use of a design-build procurement to construct an Interim Facility at the Airport
- Approve the RFP and evaluation criteria/process
- Authorize Director of Public Works to issue addenda or other such revisions
- Adopt a resolution finding that Airport traffic and transit improvement conditions have been met and City may proceed to expand the number of gates beyond the existing thirty (30)