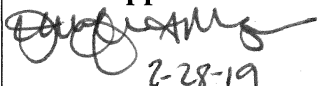


**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Airport	<b>CEQA:</b> Not a Project, File No. PP17-003, Agreements / Contracts (New or Amended) that involve no physical changes to the environment.	<b>Coordination:</b> City Attorney's Office, City Manager's Budget Office	<b>Dept. Approval:</b> /s/ John Aitken
<b>Council District(s):</b> City-Wide			<b>CMO Approval:</b>  2-28-19

**SUBJECT: APPROVAL OF THE SECOND AMENDMENT BETWEEN THE CITY OF SAN JOSE AND MAC CARGO HANDLING SJC, LLC FOR CARGO OPERATIONS AT THE AIRPORT**

**RECOMMENDATION:**

Approve the Second Amendment to the Lease Agreement between the City of San José and MAC Cargo Handling SJC, LLC, for cargo operations at the Airport, to extend the term for three years to expire on April 17, 2022 and to reduce the leased square footage from 9,600 sq. ft. to 5,388 sq. ft.

**BASIS FOR RECOMMENDATION:**

On April 18, 2016, the City of San Jose ("City") entered into a three-year lease agreement with Mercury Air Cargo, Inc. to support their cargo operations at the Airport from the Air Freight building at 1521 Airport Blvd. Subsequently, Mercury Air Cargo, Inc. asked to change their name to "MAC Cargo Handling SJC, LLC" ("MAC Cargo"), which the City approved and memorialized in a First Amendment executed on September 28, 2018 by the Director of Aviation.

The MAC Cargo agreement expires on April 17, 2019 and the Airport recommends approval to extend the term for three additional years to expire on April 17, 2022 and to revise the premises to account for a decrease in activity due to the loss of a few cargo operation contracts including, Hawaiian, Lufthansa and Air China. The Second Amendment would reduce their leased space from 9,600 sq. ft. to 5,388 sq. ft.

MAC Cargo currently pays the City \$209,955 annually under this lease, and extending the agreement will exceed the contract authority of the Director of Aviation both in terms of the agreement length (6 years) and the value of the agreement (\$1,044,877).

**COST AND FUNDING SOURCE:**

No cost associated with this action and revenue for the three-year extension of this agreement is estimated at \$415,000.

**FOR QUESTIONS CONTACT:** John Aitken, A.A.E., Director of Aviation, (408) 392-3610