SILICON VALLEY'S AIRPORT

SJC

Airport Master Plan Amendment and Capital Plan

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Director of Aviation

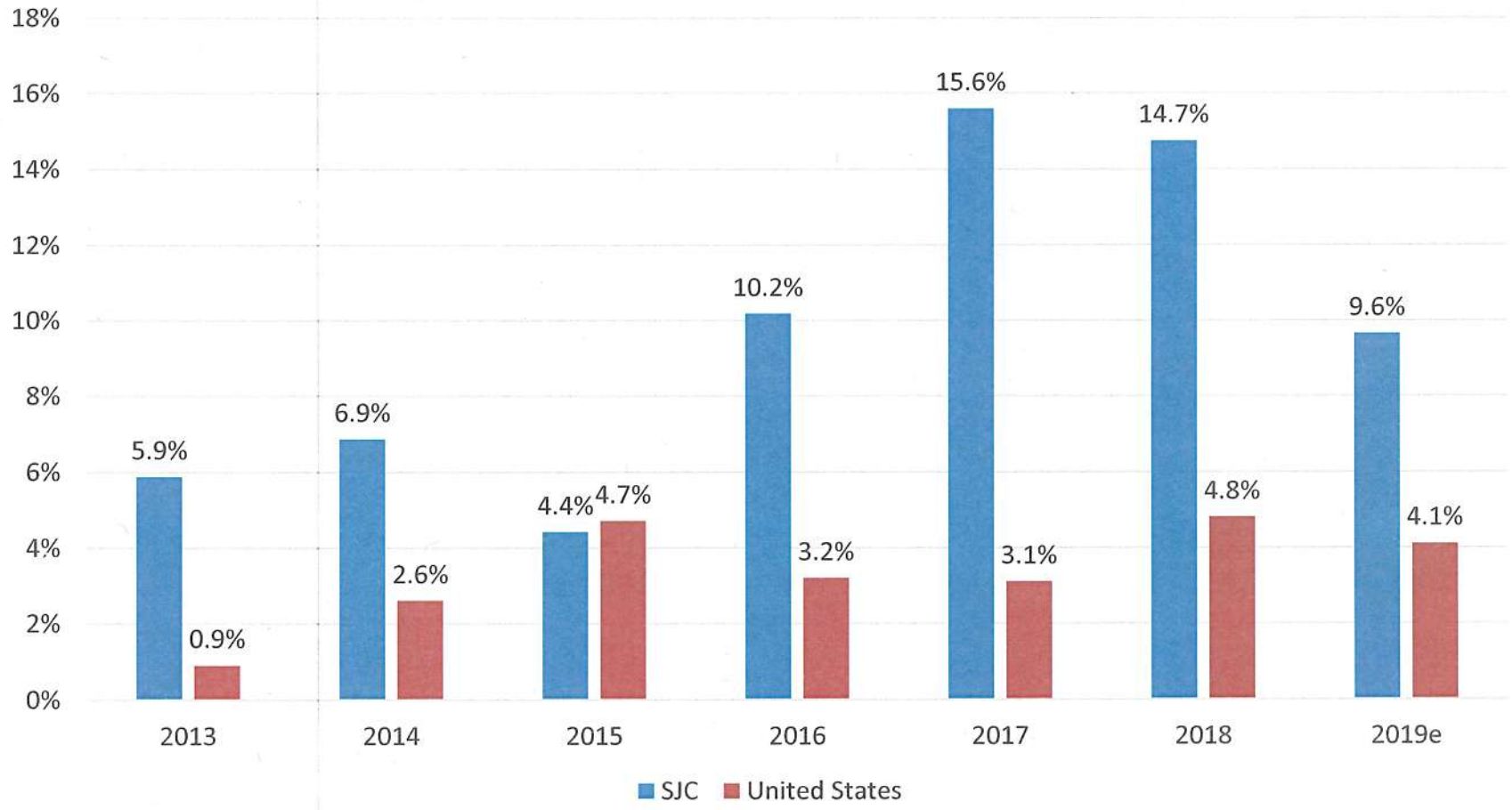
Current Situation

Focus of presentation

- The tremendous growth at the Airport and its impact on: gates, terminal, the passenger experience, and overall infrastructure
- The challenges this growth has caused
- Layout the path forward, including the necessary precursor projects

Record Annual Growth

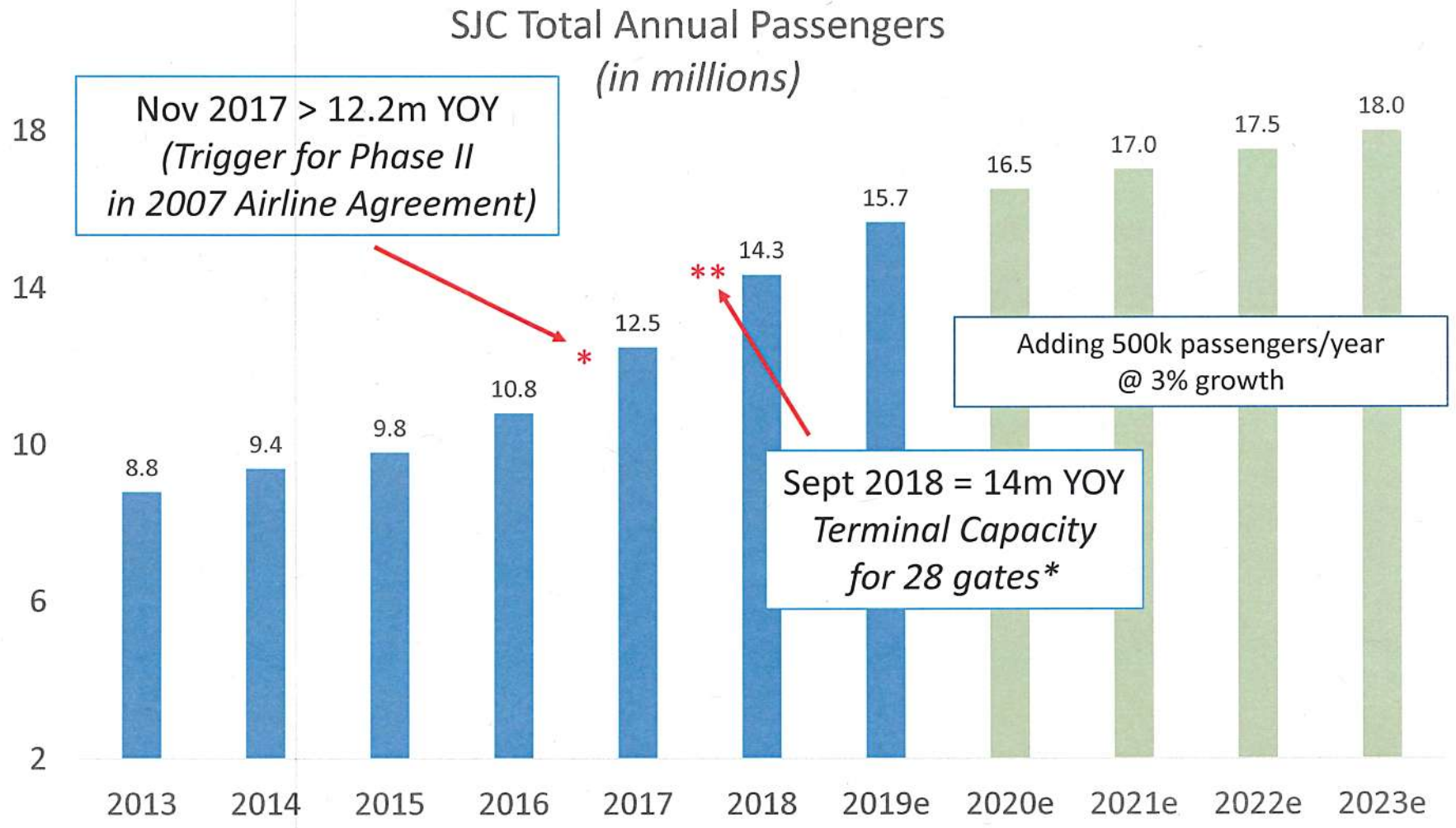
One of the fastest growing Airports in the nation by percent growth for 3 years in a row*



By calendar year

* Of the 50 largest Airports

Passengers by Calendar Year



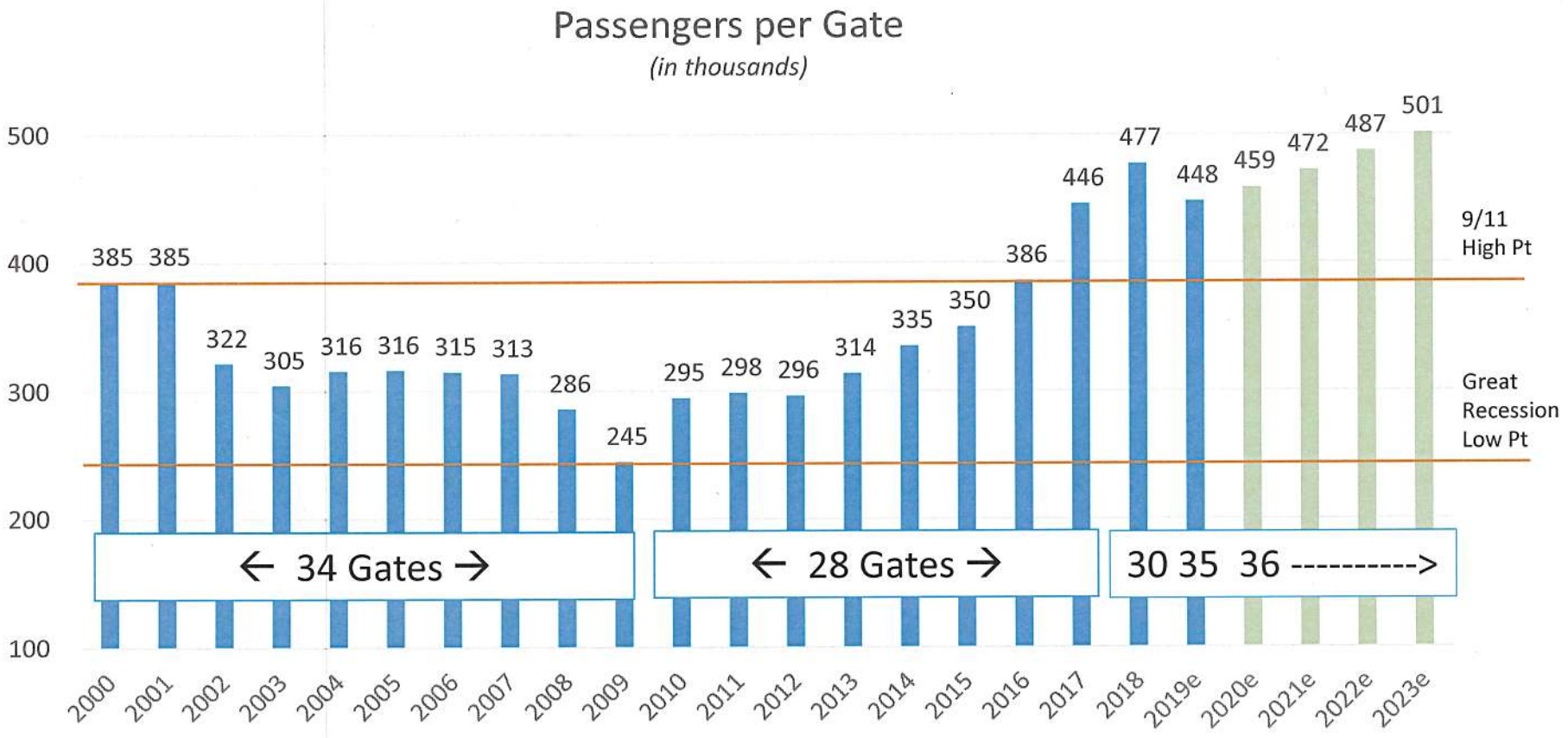
By calendar year

Estimates for 2021, 2022, and 2023 are based on a 3% growth rate

* Based on the Landrum and Brown Terminal Capacity Analysis, 2017

Passengers per Gate Surges

Despite adding 8 gates since 2017, gate utilization remains high



By calendar year

Estimates for 2021, 2022, and 2023 are based on a 3% growth rate

Terminal Phase II
Why Now?

- Airport has the approval from the Airlines for Phase II in the 2019 Airline Agreement
- 11 of 13 Airlines have signed the long-term 2019 Airline Agreement with the Airport showing their commitment to SJC for the next 10+ years.
- While the Airport has added 8 temporary gates since 2017, it did not add any supporting infrastructure
  (i.e. baggage screening, ticket counters, passenger security, drop-off/pickup locations, parking, etc.)
  - For example, TSA already uses all 8 available security lanes in Terminal B at peak times
- Airport continues to experience challenges at peak hours
- Given the time requirement for procurement, design, and construction, we need to initiate planning for Phase II now
- Demand for air traffic will only increase with the new downtown corporate and residential projects
- High quality service from the Airport helps to attract and retain downtown and other corporate clients and their workers

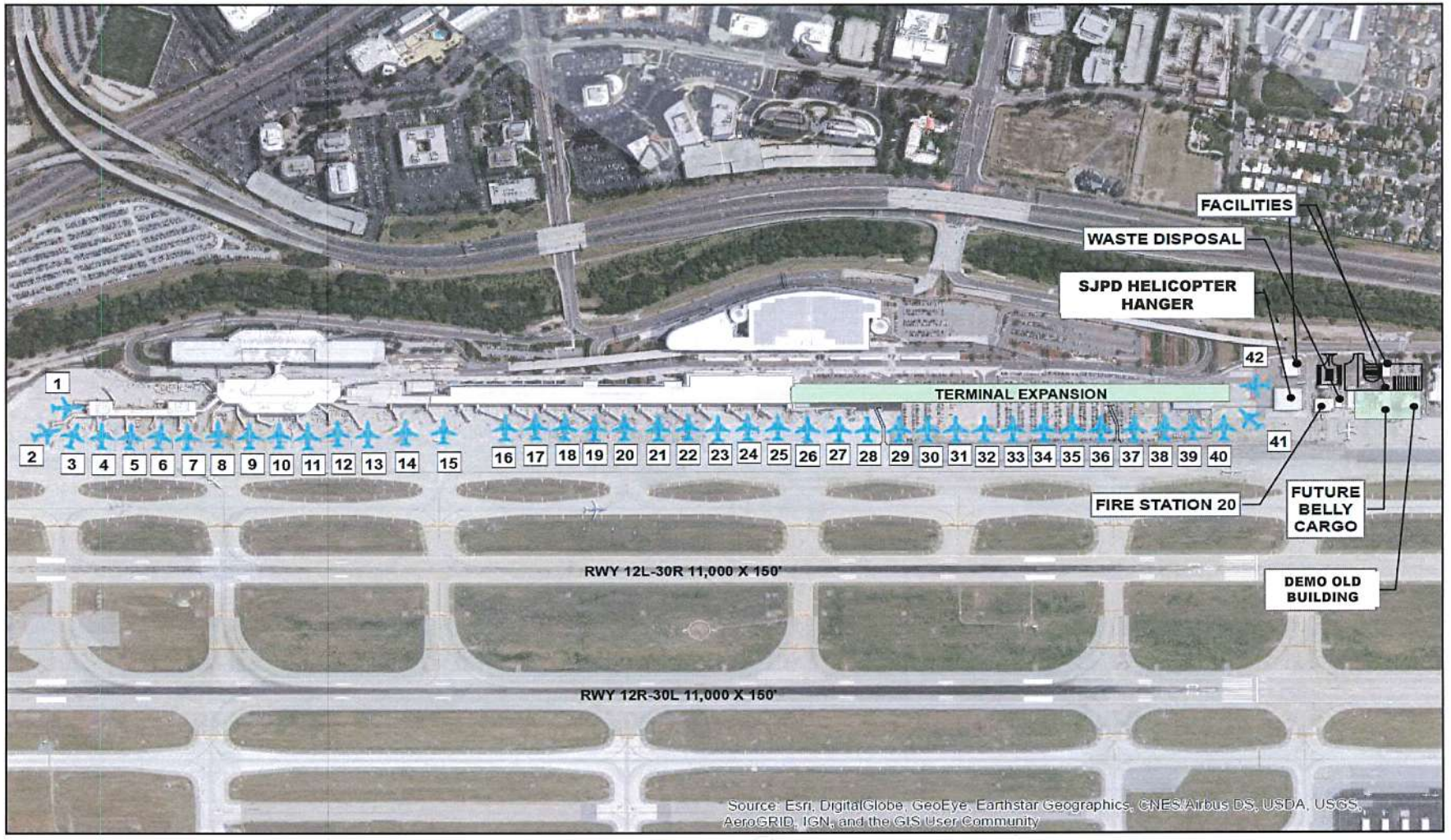
Terminal Phase II
What happens without Phase II

- Without initiating plans for Phase II, we risk:
  - Increased congestion
  - Impacts to the passenger experience
  - Potential delays
  - Declining service levels
  - Deteriorating staff productivity (as staff need to address crowds and implement band-aid solutions)
- In Terminal B, with all 8 TSA checkpoint lines open from 5am-9am, checkpoint queues regularly exceeding capacity with lines stretching to the ticket counters.
  - This requires additional staff to assist the queue line at the escalator for safety purposes.
- Increased flight activity could require hardstand off-gate boarding (i.e. passengers bused the plane to board via airstairs)

Facility Modernization Next Steps

- Complete EIR and Master Plan Updates
- Precursor Projects/Preparation for Phase II
- Phase II
  - Proposed Terminal C construction, brings the Airport up to 42 gates

Facility Modernization Next Steps



TERMINAL B PHASE 2 - 16 NARROW BODY GATES

Map Created On: 7/11/2019

EIR & Master Plan Update

- Proposed Master Plan Amendment
  - Update Horizon Year and forecast to year 2037
  - Incorporate Airfield Safety Improvements (RIM Study)
  - Modify Landside Facilities Projects for 2037
  - Allows for up to 42 gates

- New Environmental Impact Report (EIR)
  - Mitigation measures for air quality, noise, and biology (burrowing owls)
  - Overriding considerations for Council to approve

- Approval process
  - Public Hearings, Airport & Planning Commissions, ALUC, and City Council (Spring 2020)

Precursor Projects

In Progress

- 900 net new parking spots in a new Economy Lot parking structure ($42m)
- Aircraft Rescue & Firefight (ARFF) Building (Total $18m: $14.5m FAA/$3.5m to SJC)
- Facilities Relocation ($30m) [RFP issued]

Future Projects

- Police Department Hangar (Measure T ~$10m)
- Cargo Building (Real Estate Transaction – P3)
- 4000 spaces in new Terminal Parking Structure ($115m)
- New fueling station & demo existing underground fuel storage tanks (TBD)
- Terminal Aprons ($44.4m – FAA Funded 80%/20% SJC)

Other Projects

- Hotel (Real Estate Transaction – P3)
- Runway Incursion Mitigation (RIM) - airfield safety project
  ($171m – FAA Funded 80%/20% SJC)

Phase II Projects

- New Terminal C Building to "mirror" current Terminal B (~$1.1 b)
  - 16 permanent gates plus ticketing / baggage / dropoff & pickup locations, brings Airport to a total of 42 gates
  - Added supporting infrastructure:
    baggage system (screening, dropoff/pickup carousels), passenger screening, etc.
- Central Utility Plant
- Storm water mitigation measures

Phase II Planning

- Program Management Support Services
  (RFQ soon/ Awarded in Spring of 2020)
  - With support of Public Works & Airport Staff
- Design-Build RFP (Issued in Spring of 2020)
- Financing
  - Commercial Paper available (Summer 2020)
  - Bonds to be secured once the entire financial scope is defined (2021/2022)
- Consultation with airlines in the design process

Annual Economic Impact Estimates

Six Net New SJC Gates

Gate Variable/Assumption	Value
Average Annual Economic Impact Per New Flight	$7.1m
Estimate Turns/New Gate	7.75
Percent of Flights Net New to SJC	50%
Annual Economic Impact/New Gate	$27.5m
Number of Net New Gates	6
Annual Economic Impact	**$165m**

Construction Impact	Value
Estimated Construction Cost	$1.1b
Direct Employment*	5,995 jobs
Indirect and Induced Jobs*	10,648 jobs

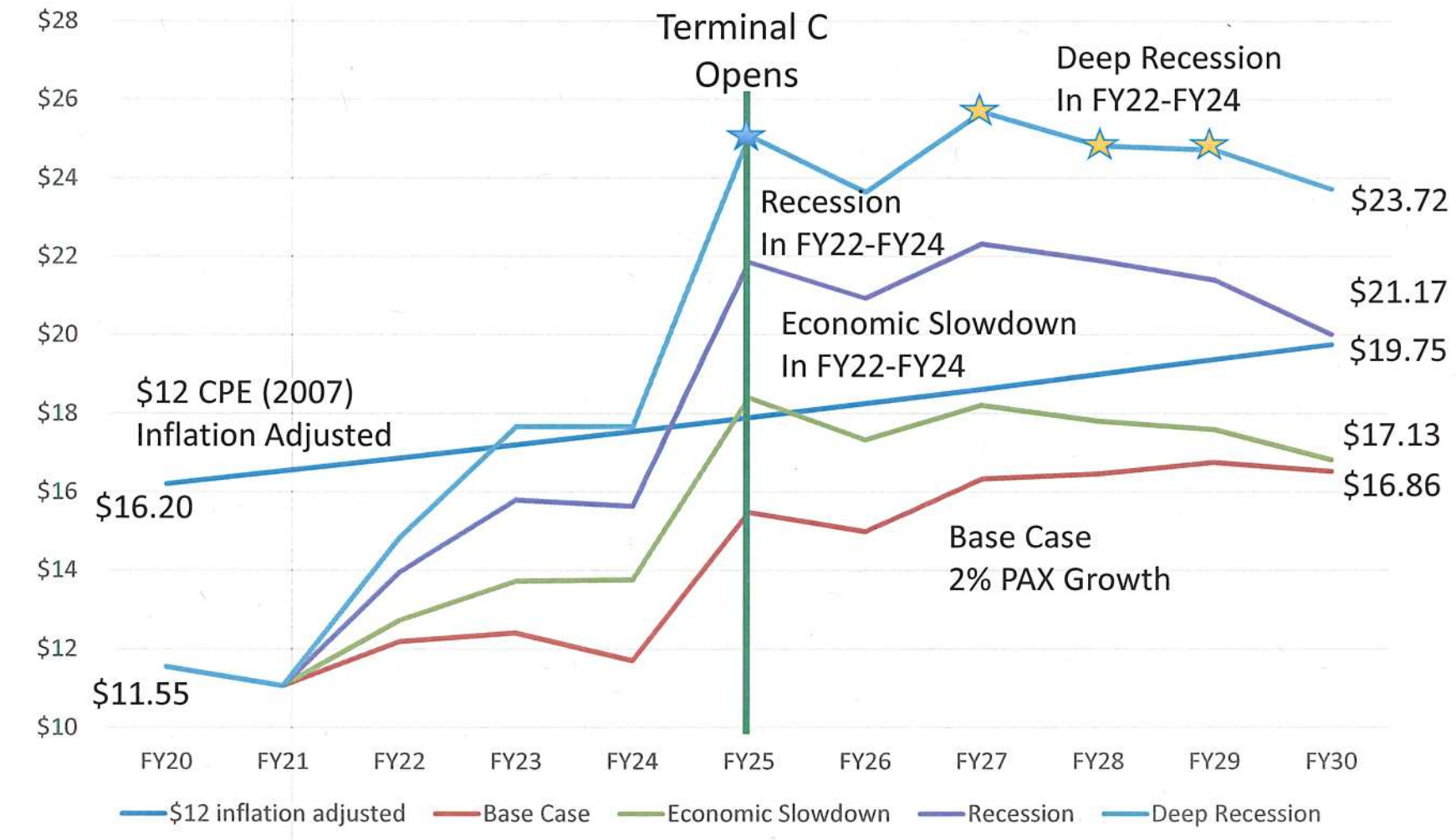
- Annualized FTE multipliers are based on data produced by the Economic Policy Institute using data from the U.S. Bureau Economic Analysis and the U.S. Bureau of Labor Statistics

Financial Analysis – *Passenger Scenarios*

	Base Case	Economic Slowdown	Recession	Deep Recession
FY20	6%	6%	6%	6%
FY21	3%	3%	3%	3%
FY22	2%	(2%)	(10%)	(15%)
FY23	2%	(2%)	(4%)	(7%)
FY24	2%	(2%)	0%	0%
FY25	2%	4%	1%	1%
FY26	2%	4%	3%	2%
FY27	2%	4%	3%	3%
FY28	2%	4%	4%	4%
FY29	2%	4%	5%	4%
FY30	2%	4%	6%	4%

	2007/2017 Historical
FY07	(2%)
FY08	(3%)
FY09	(15%)
FY10	(7%)
FY11	2%
FY12	(2%)
FY13	3%
FY14	7%
FY15	5%
FY16	7%
FY17	13%

Financial Analysis - CPE



Extraordinary Coverage for airlines triggered in FY25

Airport may need to defer repayment for self-funded capital projects to fund operations

Financial Analysis – *CPE*

	Base Case	Economic Slowdown	Recession	Deep Recession		Adjusted $12 Target[a]
FY20	$11.55	$11.55	$11.55	$11.55	FY20	$16.20
FY21	$11.07	$11.07	$11.07	$11.07	FY21	$16.53
FY22	$12.19	$12.73	$13.95	$14.83	FY22	$16.86
FY23	$12.41	$13.72	$15.80	$17.66	FY23	$17.20
FY24	$11.71	$13.75	$15.64	$17.66	FY24	$17.54
FY25	$15.49	$18.40	$21.85	$25.08[b]	FY25	$17.89
FY26	$14.99	$17.33	$20.93	$23.64	FY26	$18.25
FY27	$16.33	$18.21	$22.32	$25.69[c]	FY27	$18.61
FY28	$16.46	$17.81	$21.90	$24.83[c]	FY28	$18.99
FY29	$16.76	$17.59	$21.40	$24.72[c]	FY29	$19.37
FY30	$16.53	$16.83	$20.01	$23.72	FY30	$19.75

Phase II Complete

[a] - *Adjusted the 2007 $12 CPE target for inflation*
[b] - *Extraordinary Coverage for airlines triggered in FY25*
[c] - *Airport may need to defer repayment for self-funded capital projects to fund operations*

Timeline – Phase II Planning, Design & Construction

	CY 2020				CY 2021				CY 2022				CY 2023				CY 2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Economy Parking Lot	In Progress																			
ARFF Building	In Progress																			
Facilities Relocation	In Progress																			
PD Hangar	In Progress																			
MP Amendment Approval		◆																		
Cargo Building																				
New Fueling Station																				
Terminal Parking Structure																				
Airport Hotel																				
Phase II Terminal C																				
Terminal Apron																				

Based on a Calendar Year

Notes:
Excludes RIM Airfield Safety Improvements