

May 31, 2018

Ms. Sylvia Gallegos
Deputy County Executive, Santa Clara County
70 W. Hedding Street
San Jose, CA 95110

RE: Preliminary Santa Clara County Airports Business Plan Update Deficiencies

Dear Deputy Executive Gallegos,

Per your request we are providing written feedback regarding the preliminary Business Plan Update for the Santa Clara County Airports dated May 9, 2018. The business plan does not provide the Santa Clara County Board of Supervisors (BoS) with sufficient and accurate information for the supervisors to make an informed decision regarding optimal ongoing management of the county airports, Reid-Hillview (RHV) and San Martin (E16).

The following outlines major areas of deficiency in the plan dated May 9, 2018:

1. The plan recommends converting portions of airport property for non-aviation commercial lease as the primary means of generating new revenues. This recommendation is missing the following information:
 - a. Probability of the FAA to approve each parcel if accepting grants versus not accepting grants.
 - b. Probability of the FAA to approve each individual parcel regardless of accepting grants. Note: FAA approval depends upon clear benefit to civil aviation. Per FAA order 5190.6B “The non-aviation interests of the sponsor or local community, such as making land available for economic development - does not constitute an airport benefit that can be considered in justifying a release and disposal.”
 - c. Specific estimate of the time required to gain FAA approval, pursue leaseholders and secure new real property leases for each parcel.
 - d. Based on a, b and c, the revenue the County may reasonably expect to realize between now and 2031 for each parcel in both the accepting-grants and not-accepting-grants scenarios as well as scenarios whereby only percentages of parcels gain approval.
 - e. Builders interested in developing leased land typically require 30-50 year lease agreements. Recommended lease length should be stated in the plan.
2. The plan recommends eliminating the seven specialized aviation service operators (SASOs) in nine current leaseholds at Reid-Hillview and replacing them with two large fixed base operators (FBOs) in two large leaseholds.

- a. Aries Consultants stated the number of based aircraft has no correlation with the ideal number of aviation service providers at an airport. This makes the two FBO recommendation based on aircraft count comparisons with other airports appear arbitrary and not well thought out.
 - b. No FBO companies were contacted to determine interest in conducting business at RHV. In fact, it is very unlikely large chain FBOs will invest in RHV due to the lack of jet operations. Their profits are made in ramp fees associated with selling JET A fuel.
 - c. Aries Consultants recommended a combination of one or two FBOs and several SASOs to provide the aviation services needed at RHV. This is nowhere reflected in the plan.
 - d. Aries Consultants recommended lease terms of a minimum of 35 years for aviation related businesses. This is nowhere reflected in the plan.
 - e. Reducing the number of leaseholders from nine to two creates significant risk for the County if the two remaining leaseholds are not leased or if one or both future leaseholders were to become insolvent.
 - f. There is no description of a plan to transition the current aviation service providers to new service providers without significant disruption to services at RHV and E16. A poorly managed transition will result in revenue loss (not gain) as based aircraft move to other airports seeking required aviation services.
 - g. There is no incentive for existing SASO's to remain at RHV given all of the above.
 - h. The San Jose State University (SJSU) Aviation Program will become crippled in the event the two existing SASO's which currently provide the University's curriculum-required flight training find it unviable to operate at RHV. The County holds the responsibility of documenting the potential impact on the SJSU Aviation Program for the BoS and SJSU administration.
3. The plan recommends converting approximately half of the 18-acre FBO leasehold property at RHV to non-aviation commercial use.
 - a. The plan does not acknowledge that Valbridge stated the highest and best use of the entire FBO leasehold property is for aviation services and FBO leaseholds, not commercial non-aviation use.
 - b. The Valbridge lease estimates are based on leveled ground. The costs and time of demolition are not included in the plan. Nor are statements to the fact there are two underground fuel storage tanks in the proposed area listed for non-aviation commercial use.

4. The plan recommends avoiding FAA AIP grants and leveraging non-aviation leasing of airport properties to create a financially viable airport system with the hopes of “additional flexibility” and “local control.”
 - a. Thousands of airports nationwide leverage FAA AIP grants successfully to maintain self-sufficient airports. The plan needs to clarify what unique situation makes not accepting AIP grants beneficial for Santa Clara County residents and the aviation community.
 - b. The County stated benefits of “additional flexibility” and “local control” need to be documented in detail. Left undocumented, community and aviation interests must only assume the flexibility desired is to shut down the airports.
 - c. Businesses view acceptance of grants as a statement of intent to continuing operating an airport in a safe, fair and predictable manner for a specific amount of time. It is highly unlikely businesses, especially aviation businesses, will be willing to invest in new leases at the airports without grants - resulting in revenue loss, not gain.
 - d. Potential businesses will study demographics of the local airport community prior to investing. If businesses interested in airport patrons and those customers derived by this transportation hub are uncertain as to their clientele, they will not invest. Businesses not interested in airport patrons may see delayed growth as a result of the County’s uncertainty of its own direction.
5. If being able to create and enforce curfews is a desired “local control” benefit then the plan needs to address the following:
 - a. Noise curfews and operational restrictions are not governed by FAA grants. All federally obligated airports are governed by the 1990 Airport Noise and Capacity Act. Other airports have attempted to initiate curfews by avoiding grants. Even without grants those airport sponsors’ attempts have failed in court.
 - b. Many airports have seen significant reduction in late night operations simply by requesting voluntary flight restrictions. The pilot community is a law and policy abiding group yet no recent effort has been made by the County to educate the pilot community of the County’s concerns.
 - c. The curfew concept may be the result of noise complaints recorded over the years due to operations after 10PM. Noise complaint data from the Quarterly Airport Noise Reports available for Q2FY17 through Q1FY18 shows only 57 contacts. Aside from one individual (see item d) there were no complaints from the Evergreen residents related to airport activities after 10PM or before 7AM.
 - d. In addition, 71%, or 41 contacts, have come from one individual who is also the author of the “Close Reid-Hillview” website. Based on the documentation there were only 41 days with operations after 10PM in the same 12-month period.

6. FAA order 5190.6B, FAA Airport Compliance Program section 22.b states “airport land acquired with federal assistance under the AIP program and/or conveyed as surplus or non-surplus property is federally obligated in perpetuity.”
 - a. The plan does not mention the fact that the County used federal funds to purchase land for Reid-Hillview and accepted AIP grants in the early 2000’s requiring the property to be operated as an airport in perpetuity.
 - b. The BoS must be made aware of this fact. Attempting to shut down the airports in the future will result in a lengthy and costly legal battle and the probability that County will prevail is exceedingly low.
7. One of the priority reasons behind the business plan update is to maximize the assets yet no effort has gone into maximizing the current model.
 - a. Although the plan discusses lease, hangar and tie down fees going forward, it does not take the recommendation by Aries Consultants into account
 - b. There is no price elastic model done with regards to pricing of hangars and tie-downs.
 - c. The County has historically not collected receivables in a timely manner. (including tagging transient traffic for overnight payments). The business plan has no mention on how to rectify and improve accounts receivables as a method of maximizing current policy.
 - d. San Carlos airport is receiving handsome revenues by openly accepting Part 135 charter operators as well as Part 91 offshoots such as Surf Air, yet the County has explicitly denied Surf Air from utilizing the airport for their transportation business.

It is our hope that providing complete information to the business plan process will result in the Board of Supervisors making an informed decision regarding the future operations of our county airports.

Respectfully,

Scott Rohlfing
FAA Designated Pilot Examiner
Contract Pilot SEL/MEL
Gold Seal Flight Instructor
CFII, MEI, AGI, IGI

Anissa Mohler
FAA Certificated Flight Instructor
AOPA Distinguished CFI 2017
Owner and Operator of AOA, LLC.
CFII, AGI, IGI

cc: Eric Peterson, Director, Santa Clara County Airports
Harry Freitas, Director, Roads and Airports