



MEETING DATE: July 22, 2015
TO: Board of Directors
FROM: Hardy Bullock, Director of Aviation and Community Services
SUBJECT: Surf Airlines Inc. (Surf Air) Lease and Operating Agreement

RECOMMENDATION:

Approve the attached STORAGE SPACE / GATHERING AREA LEASE AGREEMENT AND OPERATING PERMIT dated August 1, 2015.

DISCUSSION:

Policy Instruction #504 PROPERTY MANAGEMENT POLICIES AND PROCEDURES FOR LEASES, RENTAL USE AGREEMENTS, CONCESSION CONTRACTS, LICENSES, PERMITS, RATES, FEES AND CHARGES is a broad policy outlining the procedures for District business conduct. Section 4 A. of the policy outlines actions requiring Board Approval, *“All leases, use agreements, concession contracts, licenses, and permits, as well as the approval of options to extend the terms of leases, contracts, and agreements for more than one (1) year, shall be approved by the Board of Directors and signed by the President”*. Although this section applies to the action herein the policy as a whole determined the actions Staff has taken to complete this business agreement between the District and Surf Airlines, Inc. It is further noted that the District is under contract with Airport Management Consulting Group to modify, update, and reauthorize our Policy Instructions through the approved Primary Management and Control Documents Contract. This contract will also revise the Districts published *Rates Fees and Charges Schedule* referenced throughout this Staff report. As an aeronautical user Surf Air is subject to standard rates, fees and charges for the aircraft operation portion of its business. The District rates, fees and charges for aeronautical uses (transient use fees) are currently under review with an anticipated revision in the fall of 2015.

Surf Airlines Inc. based in Santa Monica California currently operates Pilatus PC-12 aircraft on an FAA part 135 on demand air taxi, (charter) certificate with a sub part exemption for scheduled service of a passenger aircraft with less than ten seats. The Truckee Tahoe Airport District originally signed an agreement with Surf Airlines Inc. August 1, 2014 for a storage space and gathering area within the current administration building totaling 100 ft.²+/- at a cost of

\$252 per month. This agreement was NOT inclusive of aircraft transient use fees; Surf Air purchased annual passes for its aircraft.

Surf Air currently advertises 19 trips per week on the following scheduled service to KTRK:

| Destination | Days | Times |
|-------------|-------------------|--------------|
| San Carlos | Monday – Friday | 3:35 / 5:00 |
| San Carlos | Friday | 12:30 / 2:00 |
| San Carlos | Saturday | 12:00 |
| San Carlos | Sunday | 1:30 / 6:00 |
| Oakland | Monday – Friday | 11:30 |
| Oakland | Saturday / Sunday | 10:30 |
| Burbank | Saturday / Sunday | 10:30 / 5:30 |

Surf Air’s business model most closely resembles a carpool concept. People traveling independently are aggregated within common geographic areas. Suitable airports are identified within the target area and that creates the destination. Staff has no way to analyze data related to previous traveler behavior. We can assume that people traveling on Surf Air would come here in cars or other aircraft. By design Surf Air’s service reduces the number of potential aircraft operations by “carpooling” individuals on one aircraft. Jet Suite flies the Embraer Phenom 100 which has a comparable mission profile to the Pilatus PC-12. In the last 18 months we’ve seen a marked decrease in Jet Suite operations. Staff has inquired with Surf Air regarding their customer demographics. Surf Air has no data on previous traveler behavior currently available. Additional analysis would be required to determine if there is a net reduction in flight operations attributed to Surf Air. Surf Air has received few community annoyance comments. As a percentage of operations the comments are not statistically relevant. Comments came from departures and arrivals from neighborhoods on the downwind of runway 29 and the GPS approach to runway 20. All flight tracks were compliant except one track that was initiated by the flight management system’s traffic collision avoidance system. In summary Surf Air is not creating notable community annoyance and their organization has been extremely responsive to District requests and procedures.

Staff applied the principles within Policy Instruction #504 and a recent commercial space market analysis to develop the rates for Surf Air. The ground lease portion of the STORAGE SPACE / GATHERING AREA LEASE AGREEMENT AND OPERATING PERMIT includes the kiosk, gathering area, and storage closet. The fees associated with the operating permit are outlined in section 3 rent and charges. It is customary for airports with scheduled service operators to create signatory agreements outlining the relationship between the aeronautical service provider (airline) and the airport. The Truckee Tahoe Airport District recognizes its impact on the surrounding community and strives to reduce impact wherever possible while enhancing the benefit of the airport to the community at large. Because of this, staff has developed

signatory clauses within the agreement that promote annoyance reduction and curfew compliance. In exchange for these signatory agreements, staff has developed a pricing methodology that rewards the operator for compliance. This method takes into account future increases and adjustments to our rates, fees and charges.

FISCAL IMPACT:

A net increase in revenue of \$1216 per month. A foregone revenue in the amount of \$3150 per month in exchange for signatory agreements binding the operator to fly recommended noise abatement procedures and abide by the current voluntary curfew.

If Surf Air chooses to utilize the same aircraft(s) when operating at KTRK the discounted transient use fee structure would apply, this cost to Surf Air would be \$2997 per year. This would allow Surf Air to operate uninhibited with respect to noise abatement procedures and curfew and behave like any retail aeronautical user. The result would be a revenue net loss of \$11,595 per year to the District. Staff feels the best possible option is to develop signatory agreements with Surf Air designed to reduce community impact while generating additional revenue.

Only 12 operators currently utilize the annual transient use fee pass. This item is under review as mentioned previously and subject to change.

PUBLIC COMMUNICATIONS:

Posted through the District website under Board meeting agendas. Public input at Board meeting. Staff is available for specific question upon request.

ATTACHMENTS:

STORAGE SPACE / GATHERING AREA LEASE AGREEMENT AND OPERATING PERMIT.