

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
2006 MAY 11 PM 6:23

TO: Office of the City Administrator/Agency Administrator
ATTEN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: May 23, 2006

**RE: Report on development of an Economic Development Agreement between
the City of Oakland and JetBlue Airways Corporation**

SUMMARY

JetBlue Airways Corporation has proposed that the City of Oakland enter into an Economic Development Agreement with JetBlue Airways whereby the Company and City of Oakland would economically benefit by the establishment of a Corporate Purchasing and Resale Business in Oakland for all JetBlue fuel purchases in California. The proposed Economic Development Agreement between JetBlue Airways and the City of Oakland is similar to the current United Airlines and Oakland Agreement whereby United Airlines receives an incentive payment, equivalent to 65% of the sales tax received by the City as a result of the total jet fuel sales generated from its Oakland Purchasing and Resale Office. Oakland retains 35% of total local sales tax, which in 2004-05 alone was approximately \$1.5 million. All of the terms and conditions under the contemplated agreement with JetBlue Airways, except the incentive payment, parallel those of the United Airlines Agreement. Under the agreement, JetBlue will receive a payment based on 60% of the total local sales tax generated from the Oakland Purchasing operations until January 1, 2008; the City of Oakland will retain 40%. It is estimated that over \$1 million will be generated by this 19 month agreement. At that time, due to a change in state law, local sales tax will be allocated to the place where the jet fuel is actually delivered to the aircraft.

JetBlue Airways, one of the largest and busiest airlines at Oakland International Airport, has approximately 16 daily flights. Oakland is considered one of its California hub cities for intrastate travel as well as expanding East Coast travel. Jet Blue employees 160 individuals within its operations in Oakland and has purchased over \$6 million in goods and services, excluding fuel, from Oakland vendors in 2005 alone. Per the Port of Oakland, JetBlue is expected to expand at the Oakland Airport and add additional flights in Oakland and throughout the country. JetBlue officials have conservatively estimated that the company will spend approximately \$240 million for fuel sales because of current business and planned expansion over the next year and a half.

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Staff is finalizing the Agreement and has requested that the City Council authorize the City Administrator to enter into an Economic Development Agreement with JetBlue Airways for the period of June 1, 2006 through January 1, 2008. At the May 11th Rules Committee, the Committee requested that staff provide a brief report to the Finance Committee at the May 23rd Committee meeting. The Agreement will be presented to the City Council at its May 30, 2006 meeting.

FISCAL IMPACT

As a result of the Economic Agreement, the economic potential for Oakland is a new revenue source of approximately \$1 million for the term of the 19-month agreement. This is new, unplanned, and unrestricted revenue for the City of Oakland.

Issues

Staff is finalizing the terms and conditions of the Agreement and will provide a full report for the May 30 City Council meeting. At this time, there are no significant issues to report. Staff recommends that the Agreement be entered as proposed, since a delay will impact the City's ability to maximize benefit from this new source of revenue.

Staff will provide an oral update report at the May 23rd Finance Committee meeting.

Respectfully submitted,



Daniel Vanderprieem, Director of Redevelopment,
Economic Development, Housing and Community
Development

Prepared By:
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Business Development Services

**APPROVED FOR FORWARDING TO
THE FINANCE COMMITTEE**



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AGENCY ADMINISTRATOR

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