



**DATE:** November 14, 2017

**TO:** Mayor and City Council

**FROM:** Director of Public Works

**SUBJECT** Resolution Authorizing the City Manager to Negotiate and Execute New Land Lease Agreements for Three Parcels of Land at Hayward Executive Airport

### **RECOMMENDATION**

That Council approves a resolution (Attachment II) authorizing the City Manager to negotiate and execute new land leases with Ramesta Hospitality, LLC and Mahabal Hospitality, LLC for three parcels of land at the Hayward Executive Airport.

### **BACKGROUND**

Over the past several years, staff developed a plan to market non-aeronautical parcels on Airport property, with a primary focus on attracting a hotel chain for either available Airport parcels or other City parcels. Recently, the City was approached by a developer who expressed an interest in three parcels for the potential development of two hotels.

### **DISCUSSION**

Attachment III illustrates the location of the parcels on Skywest Drive and Hesperian Boulevard. The Skywest Drive parcel is approximately 164,000 square feet, while the other proposed development on Hesperian would comprise two parcels that total more than 160,000 square feet. Both hotels are nationally franchised brands and each contain the following features and amenities:

- A minimum of 120 rooms;
- A banquet facility that seats approximately 150 persons and can be divided into smaller rooms;
- A swimming pool;
- A nationally-branded, stand-alone 6,000 square feet restaurant; and
- A small, ancillary retail store

Other key elements in the lease include a 50-year lease term for each property as well as a requirement to maintain a high standard of quality and provision of excellent customer service. Furthermore, it is understood by both parties that most employees (approximately 80%) at each hotel will be local hires.

## **STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategy is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

Objective 1: Increase neighborhood safety and cohesion.

Objective 2: Foster a sense of place and support neighborhood pride.

## **ECONOMIC & FISCAL IMPACTS**

The proposed leases take into consideration the amount of revenue to be attributed to the developer before, during, and after construction. Similar to the process utilized during the construction of Meridian's FBO facilities, a phased-in approach has been agreed upon as highlighted below; the amounts noted are per property:

- Lease term will be for 50 years, with the possibility of two ten-year extensions
- Lease payment for first year upon agreement execution: \$52,500 (\$13,125 in cash and \$39,375 in amortization); would continue until receipt of the building permit or at one year, whichever is earlier.
- Lease payment for second year upon agreement execution: \$105,000 (\$26,250 in cash and \$78,750 in amortization); would commence upon receipt of the building permit and until issuance of Certificate of Occupancy (CO) or at two years, whichever is earlier.
- Annual lease payment for years one through four after the CO: \$239,531 (\$210,000 for the rent and \$29,531, which represents one quarter of the amortized costs incurred during the first two years before the CO is received).

- Annual lease payment for year five after the CO will be \$210,000 for the rent, plus a CPI-related increase of 12% max.
- The rent will be adjusted by the same CPI amount of up to 12% every five years thereafter for the duration of the agreement.

Staff estimates that the project could generate as much as \$500,000 annually per site from new transient occupancy and sales tax as well as an increased assessed valuation and corresponding increase to property tax revenues. All of the revenues discussed in this paragraph are a direct benefit to the City's General Fund.

**SUSTAINABILITY FEATURES**

The Airport is strongly committed to developing projects that are environmentally responsible. Staff will ensure that all plans proposed by the developer incorporate features that are in line with the City's sustainability guidelines.

**PUBLIC CONTACT**

This topic was discussed at the Council Airport Committee meeting of October 12, 2017, with unanimous support expressed for the project. CAC recommended this item be presented to the Council for consideration and approval.

**NEXT STEPS**

Fall 2018	Complete Design
Fall/Winter 2019	Complete Construction

*Prepared by:* Doug McNeeley, Airport Manager

*Recommended by:* Morad Fakhrai, Director of Public Works

*Approved by:*




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Kelly McAdoo, City Manager