



DATE: April 11, 2023

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Hayward Hangars Airport Hangar Project TEFRA Hearing: Tax and Equity Fiscal Responsibility Act Hearing as Required by the Internal Revenue Code of 1986, and Adoption of a Resolution Approving the Issuance of Revenue Bonds by the Public Finance Authority in an Amount Not-to-Exceed \$5,512,000 to Finance or Refinance the Construction, Furnishing and Equipping of an Aircraft Storage Hangar Project Located at 20995 Skywest Drive, Hayward, California

RECOMMENDATION

That Council:

1. Conducts a public hearing to consider the issuance by the Public Finance Authority (the "Authority") of its exempt facility airport revenue bonds under Section 142(a)(1) of the Internal Revenue Code (the "Code"), in one or more tax-exempt or taxable series (the "Bonds"), to assist in the financing or refinancing of an aircraft storage hangar project located at 20995 Skywest Drive, Hayward, California (as more particularly defined below, the "Project"); and
2. Adopts a resolution (Attachment II) approving the issuance of the Bonds by the Authority for the benefit of the developer, Hayward Hangars, LLC (the "Borrower"), to provide for the financing of the Project, such adoption being necessary for the purposes of satisfying the requirements of the Code and the statute under which the Authority is created.

SUMMARY

The Council has been asked by the Borrower to conduct a public hearing for purposes of satisfying the applicable requirements of the Code in connection with the proposed issuance by the Authority of the Bonds. The Bonds will be used to assist in the financing of all or a portion of the costs of: (i) the construction, furnishing and equipping of an approximately 25,900 square foot aircraft storage hangar, consisting of twelve (12) box hangar units, to be located at the Hayward Executive Airport, 20995 Skywest Drive,

Hayward, California (the "Airport") in the City of Hayward, California (the "City"); (ii) refinancing certain outstanding lines of credit, loans and promissory notes of the Borrower, which financed and refinanced other airport-related facilities at the Airport; and (iii) paying costs of issuance related to the Bonds (collectively, the "Project"). The box hangar units will be designed to accommodate general aviation aircraft and aviation-related businesses.

In furtherance of the Project description above, the airport hangars are a vital part of the Airport. In addition to the hangars in the Project, there are currently 206 City-owned hangars at the Airport, most of which are T-hangars. The total also includes several City-owned 60' x 60' box hangars, along with two (2) large hangars owned by private parties that offer "footprint" leases for airplanes. All of the City-owned hangars are fully occupied. There are also 15 large hangar units (ranging from 5,000 to 12,000 square feet) that cater to owners of larger corporate jets. According to Airport management, there are currently 461 aircraft based at the Airport and 192 names on the waiting lists for City-owned hangars. The Airport benefits from its convenient location in the Bay Area, in which many affluent owners of general aviation ("GA") aircraft are based, but which suffers from a shortage of hangars and desirable airports for GA aircraft.

This project would help facilitate the construction of much needed hangars at the Hayward Airport. The City bears no responsibility for repayment of these tax exempt bonds and simply acts as a conduit to facilitate the public hearing for issuance of the bonds.

BACKGROUND

In furtherance of the Project description above, the airport hangars are a vital part of the Airport. In addition to the hangars in the Project, there are currently 206 City-owned hangars at the Airport, most of which are T-hangars. The total also includes several City-owned 60' x 60' box hangars, along with two (2) large hangars owned by private parties that offer "footprint" leases for airplanes. All of the City-owned hangars are fully occupied. There are also 15 large hangar units (ranging from 5,000 to 12,000 square feet) that cater to owners of larger corporate jets. According to Airport management, there are currently 461 aircraft based at the Airport and 192 names on the waiting lists for City-owned hangars. The Airport benefits from its convenient location in the Bay Area, in which many affluent owners of general aviation ("GA") aircraft are based, but which suffers from a shortage of hangars and desirable airports for GA aircraft. The City is twenty-five (25) miles southeast of San Francisco, twenty-six (26) miles north of San Jose, and fourteen (14) miles south of Oakland. The Airport offers two parallel runways, the longest of which is 5,694 feet long, and is a controlled field with a localizer system. Only a very small number of GA aircraft are based at San Francisco International Airport ("SFO"), and both SFO and Oakland airports are focused primarily on commercial traffic. Although Half Moon Bay Airport has one 5,000 foot runway, it lacks a control tower, and suffers from heavy fog. Pilots of even the smallest airplanes appreciate the extra margin of safety on takeoff and landing provided by a longer runway. Other general aviation focused airports in the area have significantly shorter runways, and consequently cannot accommodate as many types of aircraft. Specifically, (i) the runways at

San Carlos and Palo Alto Airports are 2,600 and 2,500 feet long, respectively; (ii) the longer of the two runways at Reid-Hillview Airport is only 3,101 feet. In addition, Reid-Hillview Airport is scheduled to close in 2031, and a ban on the sale of leaded fuel at this airport took effect on January 1, 2022. Total operations (takeoffs and landings) at the Airport increased to 130,172 last year from 104,218 in 2020 and 115,094 in 2019

The Authority is the joint powers commission under Section 66.0304 of the Wisconsin Statutes (the "Statute") and was formed upon execution of an Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority, dated September 28, 2010 among four Wisconsin Counties (Adams, Bayfield, Marathon, and Waupaca) and the City of Lancaster, Wisconsin (collectively, the "Members"). Pursuant to the Statute, the Authority is a unit of government and a body corporate and politic separate and distinct from, and independent of, the State of Wisconsin and the Members. The Authority was established by local governments, primarily for local governments, for the public purpose of providing local governments a means to efficiently and reliably finance projects that benefit local governments and nonprofit organizations and other eligible private borrowers in the State of Wisconsin and throughout the country.

The Authority has all of the powers necessary or convenient to any of the purposes under the Statute, including the power to issue bonds, notes or other obligations or refunding obligations to finance or refinance a project, make loans to, lease property from or to, and enter into agreements with a participant or other entity in connection with financing a project. The proceeds of bonds issued by the Authority may be used for a project in the State of Wisconsin or any other state or territory of the United States, or outside the United States if a participating borrower is incorporated and maintains its principal place of business in, the United States or its territories. The Statute defines "project" as any capital improvement, purchase of receivables, property, assets, commodities, bonds or other revenue streams or related assets, working capital program, or liability or other insurance program, located within or outside of the State of Wisconsin.

DISCUSSION

The Bonds will be issued in both tax-exempt and taxable series, in an aggregate principal amount not to exceed \$5,512,000, of which the tax-exempt portion is in an amount not to exceed \$3,937,500. This transaction is structured as a private placement of securities to finance or refinance the Project. See the discussion above under Summary and Background for more information regarding the Project.

The City's Role in the Project

For all or a portion of the Bonds to qualify as tax-exempt bonds, the City must conduct a TEFRA hearing that provides members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to this hearing, reasonable notice must be provided to the members of the community. The Notice for this TEFRA hearing was published March 31, 2023. Following the close of the TEFRA Hearing, an

“applicable elected representative” of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds to finance the Project.

In addition, the City approval by resolution of the Bonds satisfies the requirements of the statute under which the Authority is created.

ECONOMIC IMPACT

The Borrower anticipates that most of the tenants in the 12 new box hangar units will relocate to the Airport from other airports and therefore increase activity at the Airport. They are also likely to patronize retail establishments in the vicinity of the Airport.

FISCAL IMPACT

The Bonds to be issued by the Authority for the Project will be the sole responsibility of the Borrower; the City will have no financial, legal, moral obligation, liability, or responsibility for the Project or the repayment of the Bonds. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

STRATEGIC ROADMAP

While this item does not relate directly to any specific Strategic Roadmap Priority, it does serve the overall goal of the Council of enhancing economic development opportunities within the City.

PUBLIC CONTACT

Public noticing requirements related to TEFRA public hearings were strictly adhered to and followed. The public hearing notice was published in the Daily Review c/o Bay Area News Group – East Bay on March 31, 2023. Notice of this hearing was also published on the City’s website in March 2023.

NEXT STEPS

Staff recommends that the Council conducts the TEFRA Hearing and adopts the resolution in favor of the issuance of the Bonds by the Authority.

Prepared by and Recommended by: Dustin Claussen, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', with a long horizontal flourish extending to the right.

Kelly McAdoo, City Manager