



DATE: March 5, 2024

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Authorizing the City Manager to Negotiate and Execute an Assignment /Assumption of Ground Lease with Signature Flight Support located at 1 Tuskegee Airmen Drive

RECOMMENDATION

That the City Council adopts a resolution (Attachment II) authorizing the City Manager to negotiate and execute an Assignment/Assumption of Lease from Meridian to Signature Flight Support.

SUMMARY

On December 5, 2013, Council approved an agreement with Meridian to construct a Fixed Base Operation (FBO) at Hayward Executive Airport. Over the past ten years, Meridian completed Phase I of the project, which included construction of a parking apron, a hangar, and a passenger terminal. However, the management of the Meridian companies decided last year to offer the company for sale, which includes their FBO locations in Teterboro, New Jersey and Hayward. After careful consideration, Signature Flight Support (Signature) was the successful bidder, and the transaction was completed in early January.

This assignment holds Signature to all the terms and conditions of the existing lease, which includes the development of additional hangar space in construction of Phases II-IV on the leasehold. All terms and conditions of the existing lease remain unchanged.

BACKGROUND

In July 2012, discussion with Meridian began about the establishment of a Fixed Base Operation (FBO) at Hayward Executive Airport. On November 12, 2013, Council authorized the City Manager to negotiate and execute a lease with Meridian for approximately fifteen acres on the south side of the airport, and a ground lease was executed with Meridian on December 5, 2013. Over the subsequent ten years, Meridian has improved the leasehold,

which now includes a 122,500 square foot aircraft parking apron, one 30,000 square foot aircraft storage hangar, and an attached 6,000 square foot passenger terminal.

DISCUSSION

After 77 years in the aviation business, the management of the Meridian companies decided last year to offer the company for sale. This includes their FBO locations in Teterboro, New Jersey and Hayward. After a careful evaluation process, Signature Flight Support was the successful bidder, and the sale was concluded on January 2, 2024. Both teams will be working on a seamless transition over the coming months that includes incorporating best practices from both companies, enhancing site plans, updating branding and integrating Meridian's team members into Signature's family.

Signature operates an industry-leading network of private aviation terminals, with over 200 locations covering key destinations in 27 countries across five continents. The United States is the company's largest market with operations at 38 of the top 50 busiest airports. The company also offers over 14 million square feet of multi-use office and hangar real estate, providing unique network-wide benefits and advantages to customers who base their aircraft at a Signature location.

Signature will assume the terms and conditions contained in the existing lease with Meridian, and the lease therefore remains unchanged. One of the key terms outlined in the lease is the construction of additional hangars during Phases II-IV of the development on the leasehold.

ECONOMIC IMPACT

Any future hangar construction contemplated by Signature and as outlined in the existing lease will generate work for skilled and unskilled tradespeople. In addition, the City's General Fund will benefit from any additional sales tax generated from the new hangar tenants. Furthermore, this project will benefit the local economy by providing job opportunities and generating sales tax from aircraft sales.

FISCAL IMPACT

Annual rent for the completed Phase I of construction on the leasehold is \$107,894, which reflects the current rate for aviation-related uses of \$0.35 per square foot, per year. Future Phases II-IV, which include the construction of additional hangars, is currently assessed at a lower rate of \$0.10 per square foot, per year until constructed by the timelines outlined in the lease; this annual amount is currently \$40,576. Upon substantial completion of the new improvements, a rate of \$0.35 per square foot, per year will be assessed. This will generate \$142,016 annually. The rates noted above reflect the latest adjustment, which occurred on January 1, 2023. Per Attachment C to the lease, rent will be adjusted every five years, first

by a market rate study and then by the Consumer Price Index (CPI) for the previous five years, not-to-exceed a maximum of 7%.

STRATEGIC ROADMAP

This agenda item pertains to development at the Airport and does not directly relate to any of the six priorities outlined in the Council's Strategic Roadmap.

SUSTAINABILITY FEATURES

The Airport is strongly committed to developing projects that are environmentally responsible. Therefore, staff will ensure that all plans proposed by Signature incorporate features that are commensurate with the City's sustainability guidelines.

PUBLIC CONTACT

The original lease with Meridian was presented to and approved by the Council Airport Committee on October 31, 2013 and approved by Council on November 12, 2013. The agenda and staff report for this item have been posted on the City's website and distributed to interested parties.

NEXT STEPS

If approved, Airport staff will prepare the Assignment and Assumption Agreement for execution by the City Manager.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager