



DATE: November 15, 2016
TO: Mayor & Council
FROM: Director of Public Works

SUBJECT

Resolution Authorizing the City Manager to Negotiate and Execute a New Ground Lease Agreement with Air Plaza, LLC. for Lease of a Parcel of Land at Hayward Executive Airport

RECOMMENDATION

That Council adopts the attached resolution authorizing the City Manager to negotiate and execute a ground lease with Hayward Airport Plaza, LLC for property at Hayward Executive Airport.

BACKGROUND

On August 1, 1970, the City entered into a lease with Air Plaza, LLC. (Air Plaza), a California corporation for property at Hayward Executive Airport. The property is identified as 22693 Hesperian Blvd., Hayward, California. The lease allowed the construction of an office building serving aeronautical and non-aeronautical tenants, and the installation of tiedown spaces for aircraft storage. The leased premises totals 84,347 square feet.

DISCUSSION

The expiration date of the current lease is July 31, 2020. However, Airport Plaza management has approached staff about the negotiation of a new lease that will be of mutual benefit. The proposed lease term is thirty years.

The existing office building currently has sixteen subtenants. The building features are somewhat dated and Airport Plaza management agreed to an investment of approximately \$350,000 to make capital improvements, including resurfacing of the parking lot, new landscaping, a new air conditioning and heating unit, a new roof, new energy-efficient lighting, new interior drop ceiling, and other interior improvements for a more contemporary appearance.

FISCAL IMPACT

Based on the lease structure negotiated in 1970, Airport Plaza's current annual rent is a nominal amount of \$186. According to written guidance from the Federal Aviation

Administration (FAA), airport property that is dedicated to non-aeronautical use must be valued at Fair Market Value. Total leasehold size is 84,347 square feet. As an inducement to enter a new lease and in consideration of the cost of capital improvements, full rent would be phased in over a ten-year period, as indicated below:

Years 1-4	\$30,000
Year 5	\$42,500
Year 6	\$55,000
Year 7	\$67,500
Year 8	\$80,000
Year 9	\$85,000
Year 10	\$90,000
Year 11	Equivalent to then current non-aeronautical rate at a minimum of \$90,000 per year plus adjustment

Rent from year eleven forward shall also be subject to adjustment upward every three years based on a value of 75% of the San Francisco Bay Area Consumer Price Index (CPI) with a minimum of 3% and a maximum of 7%.

SUSTAINABILITY FEATURES

The action taken for this report will not result in physical development, purchase or service, or a new policy of legislation. Any physical work will depend upon future Council action.

PUBLIC CONTACT

This matter was discussed before the public and was available for comment at the Council Airport Committee (CAC) meeting on October 13, 2016. CAC approved the staff recommendation to forward this item to Council for consideration. No comments from the public were received.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works

Approved by:



Kelly McAdoo, City Manager