DATE: June 14, 2022

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: California Air National Guard Site: Proposed Development of the California Air National Guard Site at the Hayward Executive Airport (Report from Public Works Director Ameri)

RECOMMENDATION

That the Council reviews and provides feedback on the proposed development of the California Air National Guard (CANG) site.

SUMMARY

The CANG site at the Hayward Executive Airport (Airport) has been vacant since 1980, and was officially returned to the City by the United States Government in 2012. For over ten years, staff has marketed the parcel for aeronautical use, but interest has not met expectations due to market conditions that continue to favor non-aeronautical uses.

Staff received several inquiries about non-aeronautical use, including a proposal by Montecito Development Company (Developer) in 2018. The developer expressed interest in a "flex" type of development, which included retail, office, and warehouse space, as well as space for a museum honoring the Tuskegee Airmen. This proposal was not supported however, and the Developer's plan evolved from warehouse space to buildings intended for life science and advanced manufacturing, with the museum for the Tuskegee Airmen and the space for a community center retained in the new plan. The financial impact of this revised proposal is significant, with potential annual revenues to the Airport approaching $1 million. The City may also benefit from quality job creation, the generation of additional sales tax, and increased economic impact.

Before development can proceed, the CANG parcel must be released for non-aeronautical use by the Federal Aviation Administration (FAA). Staff must submit a written request, which will require a minimum of nine months for review and approval. In addition, the property will require a rezoning from Air Terminal-Airport Commercial (AT-AC) to Air Terminal-Commercial (AT-C). Other steps include negotiating a lease agreement with the prospective developer and pursuing land use approvals, which will require a rezoning and General Plan Amendment, and assessing any potential environmental impacts, consistent with California

Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) requirements.

Council Airport Committee Review
This item was presented to the Council Airport Committee (CAC) on April 28, 2022[1]. The CAC unanimously stated their approval and recommended it to the City Council for further consideration.

BACKGROUND

The Airport and all its facilities were originally transferred from the United States Government to the City in 1947 in the form of a quitclaim deed. The City entered into an agreement with the U.S. Government in 1949 for continued use of Airport land by the U.S. Air Force and the CANG. The CANG site was used by various military units until 1980 when the land was vacated and eventually returned to the City in September 2012. A significant portion of the vacated land (16 acres) is the subject of this development, while three additional acres continued to be leased by the CANG. Additional acreage was also returned to the City and will be available for future aeronautical development, such as hangars.

The FAA prefers that owners of public-use airports use airport property for aeronautical purposes, and, as a result, staff has actively searched for aeronautical tenants for the CANG site. The City released a Request for Proposals (RFP) in 2001 and 2007, and several responses were received, including one for development of corporate aircraft hangars that was determined to have merit. However, negotiations were unsuccessful.

The City released another RFP in 2016, but the respondents did not meet minimum specified qualifications. Later, staff contacted commercial real estate agents for assistance in identifying prospective tenants, and staff fielded several inquiries. Despite this effort, the CANG parcel could not be leased in whole or in part for aeronautical purposes.

Feedback received from potential aeronautical tenants indicated the condition of the CANG site was a factor in their decision to forego the opportunity. The buildings do not meet modern code requirements. Potential aeronautical tenants found the estimated cost of demolition to be cost prohibitive. As a result, efforts are now focused on non-aeronautical uses and development.

In 2018, staff held preliminary discussions with the Developer for creation of the Hayward Airport Commerce Center. However, that proposal did not meet a primary goal to generate a significant number of jobs. In response, the Developer later modified their proposal to focus on life sciences and advanced manufacturing development.

The Developer's experience includes capital projects in Richmond, Buchannan Field in Concord, and the Livermore Municipal Airport. The Developer recently completed eleven advanced manufacturing projects in the life sciences field and plans six additional projects for

[1] https://hayward.legistar.com/LegislationDetail.aspx?ID=5567168&GUID=D2ECBE6C-4308-4EDD-BF13-41F2C0079FDF&Options=&Search=

advanced manufacturing with companies such as ThermoFisher and Tenaya. Additionally, the Developer has completed 11projects in the electronic products field, including a 248,000-square-foot facility for Siemens and a 440,000-square-foot facility for Tesla.

DISCUSSION

Project Overview. The Developer is proposing an advanced manufacturing development project at the CANG site. Advanced manufacturing includes the use of innovative technologies to improve products or processes, including life sciences (i.e., drugs and therapeutics), or electronic products (i.e., robotics and energy). Advanced manufacturing is a burgeoning industry, with over 100,000 Science, Technology, Engineering, and Math and 7,000 bio manufacturing jobs within the San Francisco Bay Area.

Conceptual Site Plan. A preliminary site plan submitted by the Developer for the CANG site depicts three buildings that total approximately 332,000 square feet (Attachment III). The architectural design of the buildings will be high end and include flexible spaces that can be adapted for multiple users (Attachment IV). Another key component of the proposed development is a building totaling 4,000 square feet to house a museum honoring the Tuskegee Airmen, and for use by community service organizations, including the Civil Air Patrol, Young Marines, and the U.S. Coast Guard Cadets.

Federal Aviation Administration. Prior to developing the parcel for non-aeronautical use, FAA regulations require the release of the CANG site for this purpose. The release requires a detailed explanation to justify FAA approval, and it also requires review and approval from other FAA lines of business, including their headquarters in Washington, D.C. The process takes a minimum of nine months. Staff will initiate the written request to the FAA.

Of key interest for the FAA is if a sufficient amount of land will remain for future aeronautical development if the CANG site is committed for nonaeronautical use. This issue has been evaluated and the release request will indicate that sufficient land is available.

Another item to consider is the applicability of the Surplus Lands Act (the Act) on this project. In brief, the Act, which was codified into State law last year, promotes affordable housing development on unused or underutilized public land throughout the state to respond to the existing affordable housing crisis. Contained within the Act are certain caveats that allow a local agency to exempt certain lands from this requirement. One of these exemptions occurs under Section 103(3)(G) of the Act, which states "Surplus land that is subject to valid legal restrictions not imposed by the local agency such as covenants, or other restrictions that are and that would make housing prohibited, unless there is a feasible method to satisfactorily mitigate or avoid the prohibition on the site." The CANG site is located on Airport property and residential housing is considered an incompatible use by the FAA.

According to the City Attorney, under the California Government Code and provisions of the City Charter, the City has the option to either entertain new business proposals from individuals or companies that may be received from time to time or solicit public interest for development opportunities through a RFP. Also, the FAA permits airport sponsors to enter

long-term leases by negotiation or solicitation. The City has taken both approaches in the past. For example, Ascend Development contacted the City in 2000 and their proposal for development of aircraft hangars was subsequently approved by Council, and the City also participated in lease negotiations for development of a FBO after being contacted by Meridian. In other instances, the City has issued a RFP, including the lease of an existing commercial hangar.

General Plan Amendment and Airport Land Use Compatibility Plan. Impacts to both the General Plan and the Airport Land Use Compatibility Plan will be assessed as the project undergoes the rezoning and application review process.

Zoning. The project site is currently zoned Air Terminal-Airport Commercial (AT-AC). However, this project will require a rezoning to Air Terminal-Commercial (AT-C).

Environmental Review. Once the project application has been filed, the applicant will work with the Planning Division to assess what level of environmental reviews and clearances are necessary, consistent with CEQA and NEPA requirements.

ECONOMIC IMPACT

The proposed development would add much needed square footage to Hayward's industrial real estate inventory. Currently, the industrial vacancy rate citywide is under 4 percent. Most of this vacant space is older stock and not conducive to attracting life science or advanced manufacturing users. This development would also generate employment opportunities for skilled and unskilled tradespeople during the construction phase, and advanced manufacturing jobs after the project is fully built. Furthermore, the City's General Fund would benefit from additional business license fees and sales tax. Lastly, the addition of a daytime population of workers associated with this development will also support businesses on the Hesperian Corridor, which includes retailers and restaurants in Winton Plaza and Southland Mall. Over the life of the project, the proposed development is also estimated to generate $1 million in sales tax, $94 million in wages, and $177 million in direct economic impact.

FISCAL IMPACT

The Airport is operated as a financially independent Enterprise Fund. It receives no financial support from the City's General Fund and must solely rely on the revenue it generates to fund its annual operating and capital improvement budgets. FAA regulations require the Airport to be as financially self-sustaining as possible, which is also a directive of Council.

Commensurate with the ground lease for Meridian Hayward and other significant capital projects at the Airport, staff anticipates a lease term of 50 years and estimated rental revenue to the Airport of approximately $1 million annually. The annual rental revenue will assist in enabling the Airport to continue to be financially self-sustaining in compliance with Council directives and FAA policy guidance, and it will be dedicated to Airport capital projects (including currently unfunded projects), equipment needs, and staffing requirements. The existing abandoned buildings on the site will be removed by the Developer.

STRATEGIC ROADMAP

This agenda item pertains to Section 2b of Council's Strategic Roadmap under Grow the Economy: Engage owners and encourage activation of vacant sites.

SUSTAINABILITY FEATURES

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

PUBLIC CONTACT

The agenda and staff report for this item have been posted on the City's website and distributed to interested parties. In addition, this item was presented to the CAC at their April 28, 2022 meeting.

NEXT STEPS

Non-aeronautical development on the CANG site requires approval by the FAA. In addition, the zoning must be changed from AT-AC to AT-C to accommodate non-aeronautical commercial development. Staff will submit the rezoning request to the City for consideration in approximately one year, and will concurrently facilitate development of the site, including negotiating a lease agreement with the prospective developer and working with the developer in pursing land use entitlements and environmental clearance, subject to plan review and approval by the City.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

Kelly McAdoo, City Manager