



**DATE:** April 28, 2022

**TO:** Council Airport Committee

**FROM:** Director of Public Works

**SUBJECT:** Potential Development of Former California Air National Guard Site

### **RECOMMENDATION**

That the Council Airport Committee (CAC) reviews this information and recommends Council direct staff to commence next steps regarding the proposed development of advanced manufacturing and life science uses at the California Air National Guard (CANG) site.

### **SUMMARY**

The CANG site at the Hayward Executive Airport (Airport) has been vacant since 1980, and it was officially released to the City by the United States Government in 2012. For over ten years, the City has marketed the parcel for aeronautical use, but interest has been minimal due to current market conditions that favor non-aeronautical use.

In the past several years, staff has received several inquiries about non-aeronautical use, including proposals by Montecito Development Company (Developer) that previously 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. After Council requested that the property be re-evaluated for the highest and best use possible, the Developer’s plan pivoted away from a warehouse to life science and advanced manufacturing, with the museum for the Tuskegee Airmen and the space for community service organizations retained in the new plan. The net impact of this revised development proposal to the Airport is significant, with potential annual revenues from this development approaching \$1 million. The City would also benefit from job creation, the generation of additional sales tax, and increased economic impact.

However, before the revised development proposal can proceed, the CANG parcel must be released for non-aeronautical use by the Federal Aviation Administration (FAA). Staff must submit a written request to the FAA for release, which is likely to take six to nine months. Staff is requesting that the CAC recommend Council direct staff to commence the next steps required to move forward with the revised development proposed by the Developer, including negotiating a lease agreement with the Developer, submitting a release request to

the FAA, and supporting the Developer in pursuing land use entitlements and environmental clearance. The property will require a rezoning from Air Terminal-Airport Commercial (AT-AC) to Air Terminal-Commercial (AT-C).

## **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 approximately 27 acres of the Airport by the U.S. Air Force and the California Air National Guard (CANG). The CANG site was used by various military units until 1980 when approximately 24 acres was vacated and eventually returned to the City in September 2012. Three acres is currently leased by the CANG.

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

The City released another RFP in 2016 where none of the three respondents met the 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 some 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 and may contain some lead paint and asbestos. Potential aeronautical tenants found the estimated cost of demolition and environmental remediation 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 the development of the Hayward Airport Commerce Center, a warehouse complex. However, upon further review, that proposal did not meet one of the City's primary goals to attract employment generating uses. In response to the City's feedback and evolving market conditions, the Developer later re-structured their proposal and turned their focus to life sciences and advanced manufacturing development.

The Developer's experience includes projects in Richmond, Buchanan Field in Concord, and the Livermore Airport. The Developer recently completed eleven advanced manufacturing deals in the life sciences field and has signed six deals for advanced manufacturing with companies such as ThermoFisher and Tenaya. Additionally, the Developer has completed 11 deals in the electronic products field, including a 248,000-square-foot facility for Siemens and a 440,000-square-foot facility for Tesla.

## **DISCUSSION**

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 a 30-minute drive from the City.

The 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 adaptable for multiple users (Attachment IV). Another key component of the proposed development is a building totaling 2,000 square feet to house a museum honoring the Tuskegee Airmen, and a building of 4,000 square feet to house community service organizations, including the Civil Air Patrol, Young Marines, and the U.S. Coast Guard Cadets.

Commensurate with the ground lease for Meridian Hayward and other substantial multi-million-dollar capital projects at the Airport, City staff anticipates a lease term of 50 years and estimated rental revenue to the Airport of approximately \$1 million annually. 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. The annual rental revenue will assist in making the Airport 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.

Prior to developing the parcel for non-aeronautical use, FAA regulations require the release of the CANG site first. The release process requires a detailed explanation from the airport owner to justify FAA approval, and it also requires review and approval from several levels of the FAA, including their headquarters in Washington, D.C. The process typically takes six to nine months. City staff proposes commencing the process of developing the written request to the FAA.

Of key interest for the FAA is whether a sufficient amount of land will be available for future aeronautical development if a large tract of land is now committed for non-aeronautical use. This issue has been evaluated and the release request will note that sufficient other land is available to meet the Airport's future aeronautical needs, whether for aircraft storage, Fixed Base Operators (FBOs), or other activities.

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 an 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 Companies. In other instances, the City has issued an RFP, including the previous efforts for development of the CANG site and, separately, for the lease of an existing commercial hangar.

Staff is requesting that the CAC recommend Council direct staff to commence the next steps required to move forward with the revised development proposed by the Developer, including negotiating a lease agreement with the Developer, submitting a release request to the FAA and supporting the Developer in pursuing land use entitlements and environmental clearance. The property will require a rezoning from Air Terminal-Airport Commercial (AT-AC) to Air Terminal-Commercial (AT-C).

### **ECONOMIC IMPACT**

The proposed development would generate work for skilled and unskilled tradespeople during the construction phase, and advanced manufacturing jobs after the development is fully built. Furthermore, the City's General Fund would benefit from additional business license fees and sales tax.

### **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 an objective of Council. The development of the CANG parcel by the Developer will contribute approximately \$1 million in annual lease revenue for the Airport Operating Fund. Over the life of the project, it is also estimated to generate \$1 million in sales tax, \$94 million in wages, and \$177 million in direct economic impact.

### **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 than 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.

**NEXT STEPS**

As noted above, any non-aeronautical development on the CANG site is contingent on approval from the FAA. In addition, zoning must be changed from AT-AC to AT-C to accommodate non-aeronautical commercial development. Staff is requesting that the CAC recommend Council direct staff to commence the next steps required to move forward with the revised development proposed by the Developer, including negotiating a lease agreement with the Developer, submitting a release request to the FAA and supporting the Developer in pursuing land use entitlements and environmental clearance.

*Prepared by:* Doug McNeeley, Airport Manager

*Recommended by:* Alex Ameri, Director of Public Works

Approved by:



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Kelly McAdoo, City Manager