



DATE: October 13, 2016

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Ground Lease for Byculla Homes

RECOMMENDATION

That the Committee reviews this information, provides comments regarding the proposed ground lease, and makes a recommendation for action to Council.

BACKGROUND

Byculla Homes is a privately-held corporation based in Fremont, California. The company business involves renovation of apartment buildings throughout the United States. Byculla Homes operates one cabin-class corporate jet aircraft, and for transportation purposes they are in partnership with another company that operates two corporate jet aircraft.

Byculla Homes approached staff in February 2016 regarding space for their aircraft, and staff initially provided contact information for aircraft storage companies on the Airport. However, staff was informed that after internal discussion, Byculla management decided they would prefer to construct and operate their own hangar.

DISCUSSION

The available areas for construction on the south side of the Airport were presented by staff, and Byculla management received a tour of the Airport. Byculla Homes chose a 2.56-acre site on the south side along Tuskegee Drive that is adjacent to the Meridian Hayward FBO (Attachment II). The proposed lease term is fifty years.

Byculla Homes anticipates the construction of a hangar that is 100 feet by 175 feet in size, or 17,500 square feet. A hangar door that is twenty-eight feet in height is anticipated to accommodate their aircraft. Consideration will be given to an exterior design that mirrors some aspects of the large CANG hangar. Construction drawings and design details will be subject to review and approval by the City. Byculla will be responsible for all costs associated with construction as well as all ongoing utility and leasehold maintenance costs.

Byculla Homes has had preliminary discussions with other companies that may wish to relocate aircraft to Hayward Executive Airport at some future point. Accordingly, they have requested a time-limited option for lease of the adjacent 3.17-acre leasehold of the California Air National Guard for development of additional hangars once that parcel becomes available. The current lease for the adjacent parcel will not expire until 2025. Byculla will pay a reasonable fee for the option to add the 3.17 acres to its lease until such time as the California National Guard vacates the leasehold and the option is exercised.

Staff supports a ground lease for Byculla Homes. It will provide additional revenue for the Airport, it will result in additional fuel sales and potential aircraft maintenance work for companies at the Airport, and it will further improve the appearance of the south side of the Airport.

FISCAL IMPACT

The current standard lease rate at the Airport for unimproved land is \$0.32 per square foot, per year. For 111,666 square feet of space, this is equivalent to annual revenue of \$35,733. Annual rent will be subject to regular increase as outlined in the Airport's *Policy Establishing Periodic Adjustments to Land Values* document. Byculla will also make a one-time contribution to the purchase and maintenance of Aircraft Rescue and Fire Fighting (ARFF) equipment of \$5.00 per square foot of new hangar space. If Byculla Homes chooses to exercise the option for leasing the adjacent parcel, additional rent of \$0.10 per square foot per year will be charged for the option on the 3.17-acre California Air National Guard for an annual total of \$13,808. This will be in addition to the value of capital improvements made on the Airport by Byculla Homes.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works

Approved by:



Kelly McAdoo, City Manager