



DATE: May 28, 2019

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adoption of a Resolution Authorizing the City Manager to Execute a Lease Agreement with the Federal Aviation Administration for Operational and Administrative Space at Hayward Executive Airport

RECOMMENDATION

That the Council adopts the attached Resolution (Attachment II) authorizing the City Manager to execute a lease agreement with the Federal Aviation Administration (FAA) for operational and administrative space at Hayward Executive Airport.

SUMMARY

On September 30, 2018, the five-year lease between the City and the Federal Aviation Administration (FAA) expired. After a period of delay by the FAA due to the government shutdown and the lengthy consideration of adding the second floor of the control tower building to the leased space, staff and the FAA reached a tentative agreement on a new five-year lease, with increased revenue for the Airport. This item was approved at the Council Airport Committee meeting on April 25, 2019 for consideration by Council.

BACKGROUND

The City owns the Air Traffic Control Tower building at Hayward Executive Airport and leases space to the U.S. Government for use by the FAA to carry out its air traffic control duties. The FAA occupies 2,192 square feet of space, which includes the third and fourth floor offices, the fifth-floor equipment room, and the tower cab. The lease is renegotiated every five years. The most recent lease term expired on September 30, 2018, and since then the FAA has been paying rent at the same rate in effect at the time the lease expired as a tenant holding over.

DISCUSSION

Staff began negotiations with the FAA in June 2018, four months prior to the lease expiration date of September 30. However, the FAA required several months to determine if they could justify the expense to add to the lease the vacant second floor of the control tower building. Airport staff had previously investigated leasing the first and second floors to U.S. Customs to

provide on-site services but were unable to do so. Soon after, the FAA approved adding this floor to the new lease. The delay in the process was exacerbated by the recent federal government shutdown.

Key Provisions of New Lease

The key provisions of the lease are as follows:

- The lease term will commence on July 1, 2019 and terminate on September 30, 2024.
- The annual rent will be \$80,760, which represents a 55% increase over the previous five-year period. The annual rent is comprised of the following:

LEASE TERMS	AMOUNT
Base Rent (existing aeronautical rate of \$0.33/square foot per year)	\$1,007
Operating Costs/year (key items include elevator maintenance, utilities, building and grounds maintenance, and insurance)	\$79,753
Total Rent Amount Per Year	\$80,760

As highlighted in the table above, the FAA will pay the City base rent in the amount of \$1,007 per year, which is tied to the airport's existing aeronautical use rate of \$0.33 per year. In addition, the lease includes reimbursement for operating costs in the amount of \$79,753; such costs include building, elevator and grounds maintenance, as well as utilities and insurance. The current total rent is \$52,004 per year.

ECONOMIC IMPACT

No additional economic impact is associated with this item.

FISCAL IMPACT

This new lease will generate an additional \$28,756 in revenue per fiscal year for the Airport Operating Fund. Funds will be utilized to enhance airport operations, such as maintenance and paving.

STRATEGIC INITIATIVES

This agenda item pertains to existing leases at the Airport and does not directly relate to one of the Council's Strategic Initiatives.

SUSTAINABILITY FEATURES

No sustainability features are noted for this lease.

PUBLIC CONTACT

This item was presented to and approved by the Council Airport Committee on April 25, 2019. The staff report and relevant attachments for this item have been posted on the City's website and distributed to interested parties.

NEXT STEPS

If approved by Council, Airport staff will finalize all lease details prior to execution.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager