



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

Cover Memo

File #: CONS 16-320, **Version:** 1

DATE: June 21, 2016

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Authorization for the City Manager to Approve Assignment of the Ground Lease between the City and St. John Investment Group, LLC to Virovek, Inc.

RECOMMENDATION

That Council approves a resolution authorizing the City Manager to approve assignment of the Ground Lease between the City and St. John Investment Group, LLC to Virovek, Inc.

BACKGROUND

On July 2, 1984, Hayward Associates #1, Inc. entered into a fifty-four year ground lease with the City for the real property commonly known as 22429 Hesperian Boulevard (Attachment I). On April 19, 2005, Hayward Associates #1 requested to sell the leasehold to that property to St. John Investment Group, LLC. This sale was approved by Council on June 7, 2005.

DISCUSSION

St. John Investment Group, LLC is selling their leasehold interest to Virovek, Inc., a California corporation based in Hayward. Virovek, Inc. will fulfill the terms and conditions in the existing ground lease with St. John Investment, LLC. The building is currently subleased by a vocational training school for nursing care providers. The new owners plan to maintain the building as administrative office space for use by their own employees, with some modest interior improvements.

The City's Finance Department reviewed financial information submitted by the business principals and Virovek, Inc., and found no detrimental information in those documents. The City Attorney has reviewed the transfer documents as to form.

The current ground lease is for a fifty-four year term that commenced on July 2, 1984 and expires on October 10, 2038 with an option to extend until December 1, 2045. The lease with St. John Investment Group, LLC prevents them from assigning the lease without first obtaining permission from the City. However, this consent cannot be unreasonably withheld.

FISCAL IMPACT

The monthly rent paid to the City is \$1,336.90 plus 27.5% of the gross building income. In FY 2015, the average monthly payment, including the percentage gross amount, averaged \$3,047.18 with total payments in FY 2015 of \$36,566.15.

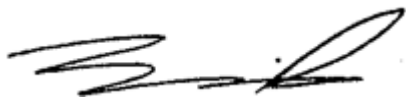
PUBLIC CONTACT

This matter was discussed before the public and was available for comment at the Council Airport Committee (CAC) meeting on April 28, 2016. CAC approved the staff recommendation to forward this item to Council to authorize the City Manager to approve assignment of the Ground Lease between the City and St. John Investment Group, LLC to Virovek, Inc. No comments from the public were received.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works

Approved by:



Fran David, City Manager

Attachments:

Attachment I
Attachment II

Resolution
Lease Parcel Site Drawing