



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 01/08/02

AGENDA ITEM 4

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute the Third Amendment to the Lease between the City and Career Aviation Academy

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to execute the Third Amendment to the lease between the City and Career Aviation Academy.

BACKGROUND:

Lessee manages three facilities on sites located at 21889, 21893 and 21927 Skywest Drive. The leaseholds are occupied by Hayward Jet Center (fueling services), SP Aviation (flight charter and aero medical services), and Century Service (charter service). Lessee's subtenants support storage of aircraft, business offices, and retail fuel sales from a "fuel island," as well as refueling from mobile vehicles. There are also a small number of tie-down spaces available to customers.

The subject property covers approximately 235,567 square feet under the City's zoning classification of Air Terminal - Aviation Commercial. The lease expiration date is June 30, 2013. For over 40 years, the Lessee has been an important airport tenant and positive contributor to the business climate at the Airport. Currently, Lessee is in excellent standing with the City, and there is no record of any lease compliance disputes.

At this time, Lessee's lease provision provides for a scheduled periodic rent increase. In July of 1998, the City established a methodology for rent standardization and uniformly applies this rent structure to all new Commercial Aviation Site Leases. Lessee has agreed to amend the lease and participate in City's new rent policy. Therefore, until December 31, 2002, the standardized rental value for Lessee will be \$0.20/sq.ft. per year. Thereafter, Lessee's rent shall be in compliance with all of the City's similar commercial aviation site leases. The property contains a total of 235,567± sq.ft., and therefore, using the applicable rate, annual rent will be \$47,113.

Through this amendment, Lessee's compliance with the new rent policy shall establish a clear, written policy plainly setting forth equal rent provisions for all aviation-related tenants. Two of the key terms of the City's rent policy methodology are:

1. Commencing January 2003, and every 10 years thereafter, there will be a rent adjustment based upon 75% of the Consumer Price Index (CPI) increase from the previous 5-year period with a maximum increase of 7% (cap).
2. Commencing January 2008, and every 10 years thereafter, there will be a periodic appraisal and comparable land value review subject to adjustments determined through an analysis of rental rates, fees and charges of similar aeronautical land at comparable airports in the Northern California region.

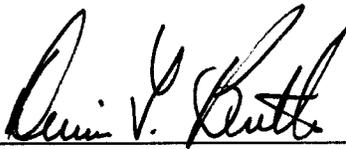
It is staff's position that this amendment represents the most beneficial rental rate for both the City and Lessee and, therefore, recommends that the City Council authorize the execution of the Third Amendment to the lease with Career Aviation Academy. A copy of the lease amendment is available for review in the Office of the City Clerk.

Prepared by:



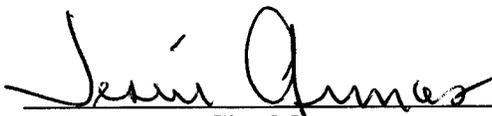
for Brent S. Shiner, Airport Manager

Recommended by:



Dennis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE THE THIRD AMENDMENT TO THE
LEASE WITH CAREER AVIATION ACADEMY AT THE
HAYWARD EXECUTIVE AIRPORT**

WHEREAS, in July of 1998 the City of Hayward ("City") established a methodology for rent standardization, and uniformly applies this rent structure to all new Commercial Aviation Site Leases; and

WHEREAS, Career Aviation Academy has agreed to amend its current lease with the City which expires on June 30, 2013, to participate in the City's rent standardization, effective January 1, 2003. For the period from January 1, 2001 to December 31, 2002, Career Aviation Academy also has agreed to pay the City an interim rent rate.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hayward that the City Manager is authorized to execute on behalf of the City of Hayward a Third Amendment to the Lease between the City of Hayward and Career Aviation Academy, commencing January 1, 2003, to participate in the City's rent standardizations adopted in July of 1998, and pay an interim rent rate for the period from January 1, 2001 to December 31, 2002.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward