



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 01/20/04

AGENDA ITEM 4

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute a Ground Lease and Commercial Aviation Site Lease for Development of Aircraft Hangars at the Hayward Executive Airport

RECOMMENDATION:

It is recommended that City Council authorize the City Manager to:

1. Execute a Ground Lease with Ascend Development HWD-II, LLC;
2. Terminate all existing leases and agreements between City and EPIC Aviation, LLC; and
3. Execute a Commercial Aviation Site Lease with EPIC Aviation, LLC.

BACKGROUND:

The Airport Master Plan Update demonstrates a large demand for T-Hangar aircraft storage units and, to a lesser extent, corporate hangars. This is verified through the lack of available hangars in the Bay Area, as well as from the hundreds of names on the Airport's official hangar waiting list(s). In order to address this hangar shortfall, the Master Plan identifies several hangar project locations and design layout plans.

Representatives from two aviation-related firms, Ascend Development HWD, LLC, and EPIC Aviation, LLC (both existing Airport tenants), requested that City staff review their plans for development of corporate hangars. As a result of extensive discussions and negotiations regarding possible sites, future Master Plan considerations, and phasing options, the subject lease agreements were prepared.

DISCUSSION:

Two separate actions are being presented for Council consideration. The first action involves two existing Airport tenants (EPIC Aviation, LLC, and Ascend Development HWD, LLC) who have formed a joint venture (Ascend Development HWD-II, LLC) to build 26 corporate hangars on

currently vacant Airport land between the control tower and Skywest Drive. This lease and development of 271,000 square feet of Airport land will bring new revenue to the Airport in the form of a long-term ground lease and fuel flowage fees.

The second action involves the reconfiguration of the current EPIC Aviation, LLC leasehold, in order to allow the City to develop 43 T-Hangars for smaller size aircraft. This development will bring new revenue to the Airport in the form of hangar rents.

The Airport's Master Plan Consultant, Coffman Associates, has reviewed the proposed hangar layout plans and concludes that the proposed development meets the intent and design of the Master Plan. The Council's Airport Committee reviewed this development concept at its meeting of April 26, 2001, and concurred with the project, as proposed. No action has occurred on the proposed development since review by Airport Committee, due to the downturn in the economy and to allow Ascend Development HWD, LLC, to concentrate on completion of another corporate hangar project at the City's Airport. Ascend-II has now requested that the City proceed with the ground lease in order for its corporate hangar project to be implemented.

Corporate Hangar Development:

Ascend-II will lease vacant Airport property (directly behind the control tower) from the City for phased construction of 17 corporate hangars (see Exhibit A). As a function of Phase 1, Ascend-II shall immediately initiate the process of building 5 corporate hangars. Additionally, through a lease option condition associated with Phase 2, Ascend-II shall either construct another 12 corporate hangars (within 7 years of lease execution), or return the Phase 2 site back to the City (see Exhibit B). Estimated annual revenue to the City at the completion of both phases will be approximately \$60,000, assuming completion of development within the 7-year time frame.

Provisions of the proposed lease include:

- Lease rates consistent with other fixed base operators (FBO) and in accordance with the City's "Policy Establishing Periodic Adjustments to Land Value"
- 50-year lease term
- Reduced rental rates during construction, increasing to full rental rate upon granting of a Certificate of Occupancy

T-Hangar Development:

The Airport Master Plan showed the development of T-Hangars in the area now proposed for the corporate hangars described above. In order to preserve the ability for the City to build these needed T-Hangars, EPIC Aviation has agreed to reconfigure its leasehold with the City. EPIC will delete approximately 91,000 square feet of area (see Exhibit A) from its leasehold that, when combined with existing vacant Airport land, will be sufficient for the 43 T-Hangar project. In exchange for vacating a portion of its existing leasehold, and in support of Ascend-II's commitment to construct an additional 17 corporate hangars, the City would agree to extend EPIC's original lease term by 28 years to a total of 50 years.

Provisions of the proposed lease include:

- Lease rates consistent with other FBO's and in accordance with the City's "Policy Establishing Periodic Adjustments to Land Value"
- 50 year lease term
- EPIC will continue to rent vacated portion of leasehold until development occurs.
- EPIC has option to build the 43 T-Hangars if the City has not built the hangars within 5 years.

Monies for the design and construction of the City-owned T-Hangars is included in the Airport's Capital Improvement Program. Originally, it was also intended that the T-Hangars be partially funded through a loan from the State of California Aeronautics Program. However, due to the current uncertainty of the State budget, other outside financial resources (i.e., municipal loan or COP) will be considered. When completed, the 43 T-Hangars would generate approximately \$206,000 in annual rents.

Through this development plan, Ascend Development HWD-II, LLC, and EPIC Aviation, LLC, will provide the Airport with an excellent opportunity to achieve an increase in the inventory of corporate and small aircraft storage units. When completed, these projects will be a significant step toward adequately addressing the demand(s) identified in the Airport Master Plan for additional corporate and T-Hangar aircraft storage units.

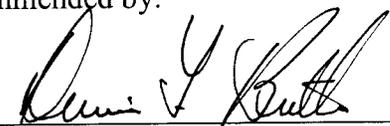
Due to their length, copies of the proposed leases are not attached, but are available for review in the office of the City Clerk.

Prepared by:



for Brent S. Shiner, Airport Manager

Recommended by:



Dennis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A: Plan View of Development Areas
Exhibit B: Plan View of Overall Hangar Project Sites

**DUE TO THE LENGTH OR COLOR
OF THE REFERENCED EXHIBIT,
IT HAS BEEN ATTACHED AS A
SEPARATE LINK.**

DRAFT

01A

HAYWARD CITY COUNCIL

RESOLUTION NO. 04-

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO TERMINATE ALL EXISTING LEASES AND AGREEMENTS BETWEEN CITY AND EPIC AVIATION, LLC; EXECUTE A COMMERCIAL AVIATION SITE LEASE WITH EPIC AVIATION, LLC; AND EXECUTE A GROUND LEASE WITH ASCEND DEVELOPMENT HWD-II, LLC FOR DEVELOPMENT OF AIRCRAFT HANGARS ON PROPERTY AT THE HAYWARD EXECUTIVE AIRPORT

WHEREAS, the Airport Master Plan demonstrates a large demand for T-Hangar aircraft storage units and corporate hangars and has identified several hangar project locations and design layout plans; and

WHEREAS, two of the existing tenants at the Hayward Executive Airport, Ascend Development HWD, LLC, and EPIC Aviation, LLC have formed a new limited liability corporation known as Ascend Development HWD-II, LLC, created specifically to develop new corporate hangars at Hayward; and

WHEREAS, as a result of extensive discussions and negotiations regarding possible sites, future Master Plan considerations, and phasing options for T-Hangar and corporate hangar development, new lease agreements have been prepared.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby terminates all existing leases and agreements between the City of Hayward and EPIC Aviation, LLC.

BE IT FURTHER RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to execute on behalf of the City of Hayward a Commercial Aviation Site Lease with EPIC Aviation, LLC for new T-Hangar and corporate hangar development.

BE IT FURTHER RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to execute on behalf of the City of Hayward a Ground Lease with Ascend Development HWD-II, LLC for new T-Hangar and corporate hangar development.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2004

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