



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 07/20/04
AGENDA ITEM 3
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Authorization for the City Manager to Approve Assignment of the Lease between the City of Hayward and Dennis McDonald to Hayward Hangars, LLC

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution that authorizes the City Manager to approve the assignment of the Commercial Aviation Site Lease between the City of Hayward and Dennis McDonald, to Hayward Hangars, LLC, and all related documents.

BACKGROUND:

On May 1, 1965, Aircraft Modification and Repair entered into a 48-year lease with the City of Hayward for the real property commonly known as 20995 Skywest Drive. Since that time, the lease has been modified and amended on several occasions. The City's lease with the current tenant, Dennis McDonald, was assigned to him from Lorene Robertson on December 18, 1996; and will terminate on June 30, 2013.

Dennis McDonald is selling his Hayward facility to Hayward Hangars, LLC, a Delaware corporation, specifically formed for this lease assignment. Hayward Hangars is committed to fulfilling the same terms and obligations of Dennis McDonald's existing lease.

The lease encompasses nearly 2.42 acres of airport property and is currently operated by a subtenant, Sullivan Propeller Specialists. As a subtenant to Dennis McDonald, Sullivan's business activities include commercial aviation services, aircraft propeller sales, repair and maintenance, aircraft storage and tie-down; and minor aviation-related pilot assistance. Apart from the acquisition of the leasehold interest from Mr. McDonald, Hayward Hangars, LLC, is not appealing for any change(s) to the existing lease.

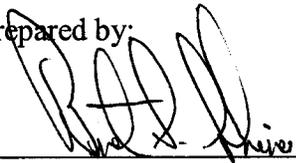
The City's Director of Finance and Internal Services has reviewed the financial statements and tax returns for the individual owner's of Hayward Hangars, LLC, and finds its financial resources satisfactory to meet the City's requirements for an assignment.

In 1998 (as California Hangars, LLC), the current President of Hayward Hangars, as well as the other principals of this intended assignment, purchased an aviation lease at Whiteman Airport in Southern California. Whiteman Airport is owned by the County of Los Angeles and operated under contract by American Airports. California Hangars has since successfully completed a two-phase, 51-hangar unit hangar development project at Whiteman. California Hangars is in good financial standing with both Los Angeles County and American Airports. Staff has investigated the reputation of California Hangars and finds its credibility to be of the highest caliber.

TERMS OF CURRENT LEASE:

The current Commercial Aviation Site Lease is for a 48-year term commencing on May 1, 1965, and expiring on June 30, 2013. The rent paid to the City for the property is \$1,810.80 per month. The lease provides for rental adjustments at 5-year intervals. The lease with City's current tenant, Dennis McDonald, prevents him from assigning the lease without first obtaining permission from the City. However, consent cannot be unreasonably withheld.

Prepared by:



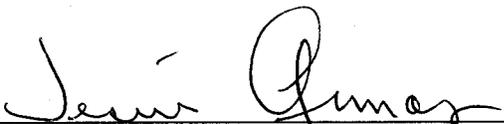
Brent S. Shiner, Airport Manager

Recommended by:



Dennis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

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HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO APPROVE AND EXECUTE AN ASSIGNMENT OF
THE LEASE BETWEEN THE CITY OF HAYWARD AND
DENNIS MCDONALD TO HAYWARD HANGARS, LLC**

BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to approve and execute on behalf of the City of Hayward an Assignment of the Commercial Aviation Site Lease, and all related documents, between the City of Hayward and Dennis McDonald to Hayward Hangars, LLC.

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