



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/28/05
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 Commercial Aviation Site Lease with Career Aviation Sales, Inc., at the Hayward Executive Airport

RECOMMENDATION:

It is recommended that City Council adopt the attached resolution authorizing the City Manager to execute a new lease with Career Aviation Sales, Inc.:

BACKGROUND:

This leasehold is located on the "aviation-side" of Skywest Drive and is 288,743 ft² in size (Exhibit "A"). Career Aviation Sales, Inc. (originally Career Aviation Academy, Inc.), has operated continuously at the Hayward Executive Airport since 1964, and its current lease expires on June 30, 2013.

Since 1974, Career Aviation Sales, Inc., has been doing business as "Hayward Jet Center" and is one of the City's longest and largest aviation business operators. Hayward Jet Center provides aircraft storage, aircraft maintenance and repair, air charter, transient aircraft handling, courtesy cars, hotel arrangements, aircraft towing and various other aviation-related services.

Under the existing lease, Hayward Jet Center has constructed hangar buildings ranging from 4,000 ft² to 10,000 ft², as well as over 4,000 ft² of office/passenger building space. Hayward Jet Center is one of the few Hayward Airport businesses catering to the corporate and business aircraft traveler. Additionally, Hayward Jet Center is one of only two aircraft fueling operations on the Airport. Accordingly, either directly or through its subtenants, Hayward Jet Center meets nearly all of the Airport's general aviation needs and maintains a first-class, full-service Fixed Base Operator (FBO) facility.

Under the proposed new lease, Hayward Jet Center has requested an extension to their current lease termination date by an additional 40 years. The extension has been requested in order to allow the construction of additional hangar and passenger space. In order to insure the improvements are constructed in a timely manner, the proposed lease requires that the specified improvements must be completed within five (5) years. Required facility developments include an additional 16,000 ft² hangar, as well as a 2,500 ft² terminal facility to provide a comfortable passenger and flight crew waiting area with wireless communications capability. These newly constructed improvements must exceed a minimum cost of \$2 million. The new lease also expands their premises by an additional 53,176 ft². (Exhibit "B"). However, should the Hayward Jet Center be unsuccessful in constructing all of the improvements required by the new lease, then the lease termination date does not extend beyond the current termination date of June 30, 2013.

Currently, a portion of the existing leasehold has been utilized as a public taxiway. In order for the new buildings to be constructed as proposed, this taxiway will be modified. Alternative public taxiways are available to those tenants affected by this modification. Notice of this pending action has been given to the adjacent FBOs.

Although a straightforward 40-year lease extension of Hayward Jet Center's existing lease is plausible, it was determined that it would be more advantageous for both parties if an entirely new lease agreement were drafted. This new lease would rescind and terminate any and all prior leases, agreements, contracts and amendments. The current Career Aviation Sales lease has been amended numerous times, and is cumbersome to administer efficiently.

Some of the key terms of the new lease are:

1. A standard Land Value (rent) for all users utilizing the same or similar facilities.
2. Commencing January 2008, and every 10 years thereafter, 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.
3. Commencing January 2013, and every 10 years thereafter, 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).

It is staff's position that this new lease is beneficial to both the City and the tenant, and therefore recommends that the City Council authorize the execution of the Commercial Aviation Site Lease with Career Aviation Sales, Inc.

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:

Brent S. Shiner

for Brent S. Shiner, Airport Manager

Recommended by:

Dennis L. Butler

Dennis L. Butler, Director of Public Works

Approved by:

Jesús Armas

Jesús Armas, City Manager

Attachments: Exhibit A: Location of Career Aviation Sales, Inc., and Leased Premises
Exhibit B: Career Aviation Sales Proposed Leased Premises

DUE TO THE LENGTH OR COLOR OF
THE REFERENCED EXHIBITS, THEY
HAVE BEEN ATTACHED AS SEPARATE
LINKS.

DRAFT

NH
4/23/05

HAYWARD CITY COUNCIL

RESOLUTION NO. 05-

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE A COMMERCIAL AVIATION SITE
LEASE WITH CAREER AVIATION SALES, INC.**

WHEREAS, Career Aviation Sales, Inc, (originally Career Aviation Academy, Inc.) has operated continuously at the Hayward Executive Airport since 1964, doing business as "Hayward Jet Center" since 1974, meeting nearly all of the Airport's general aviation needs, maintaining a first-class, full-service Fixed Base Operator (FBO); and

WHEREAS, the existing Commercial Aviation Site Lease expires on June 30, 2013; and

WHEREAS, the existing Commercial Aviation Site Lease with Career Aviation Sales, Inc. has been amended numerous times, making it cumbersome to efficiently administer; and

WHEREAS, Career Aviation Sales, Inc., dba Hayward Jet Center, proposes to construct improvements to its existing facilities and substantial expansion of its current premises, exceeding a minimum cost of \$2,000,000; and

WHEREAS, it is advantageous to both the City and Career Aviation Sales, Inc., to enter into an entirely new lease agreement with a 40-year term; and

WHEREAS, the proposed Commercial Aviation Site Lease provides that, in the event that all proposed improvements are not completed within five years, the termination date of the new lease agreement shall not extend past the current lease's termination date of June 30, 2013.

NOW THEREFORE, BE IT 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 Career Aviation Sales, Inc., for a term of 40 years.

BE IT FURTHER RESOLVED by the City Council of the City of Hayward that should Career Aviation Sales, Inc. be unsuccessful in constructing all the improvements required by the new lease, then the lease termination date shall not extend beyond the existing Commercial Aviation Site Lease termination date of June 30, 2013.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

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