



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 02/14/06  
AGENDA ITEM 3  
WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council  
**FROM:** Director of Public Works  
**SUBJECT:** Authorization for the City Manager to Execute a Ground Lease with Browman Development, Inc., for City Property Located at the Southwest Corner of Hesperian Blvd. and Sueirro Street

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolutions authorizing the City Manager to:

1. Execute the ground lease and all related documents with Browman Development, Inc., for development of Airport property on the southwest corner of Hesperian Blvd. and Sueirro Street; and
2. Appropriate \$44,000 to the Airport Operations Fund.

**BACKGROUND:**

In November 2003, the City entered into an Exclusive Negotiating Agreement (ENA) with Retail Real Estate Group (RREG) from Santa Clara, to provide real estate agent services for certain City-owned properties located on the Airport. Since that time, RREG has been actively seeking tenants to develop those available parcels. The subject property, located immediately south of Sueirro Street (across from Home Depot), is currently vacant and subject to the ENA provisions with RREG. In 2004, Browman Development approached the City with a proposal to lease the parcel and identified "Smart & Final" as the subtenant. The proposed twenty (20) year lease period would be subject to six additional 5-year options. The initial rent would be \$108,024 per year, based on the 2.07-acre parcel size. This lease revenue represents a 10% return on a value of \$12/sq.ft. Rent would be adjusted upward by 15% at year 11. At years 16, 21 and 26, the rent would be adjusted upward by the CPI with a 7.5% cap. At year 31, the rent would be adjusted to market, based on a certified appraisal of similar retail uses. In negotiating the primary financial terms of this lease, the City did retain outside real estate experts who confirmed that the City was receiving fair rental value for its property. Since this property is part of the Hayward Executive Airport, all rental income will accrue to the Airport Operations Fund and will be used solely for Airport purposes. There are no site improvements that will be the City's responsibility to provide.

Once the agreement between the City and Browman Development is executed for the Smart & Final site, the Airport would be obligated to pay a fee to RREG. As this is the first time the Airport

will be required to pay a real estate commission, there is currently no mechanism for compensation to RREG. Therefore, staff recommends appropriation of \$44,000 for payment to RREG.

The subject property is under the City's zoning classification "Air Terminal - Commercial." The stated intent of this zoning is "...to provide for certain specified commercial and service uses that are compatible with airport activity, in addition to simultaneously serving the general population of the City."

The Hayward Airport Land Use Development Program, prepared by Economic & Planning Systems, Inc., in November 2002, identifies this piece of property as Study Area Parcel 5. One of the strengths of this site is its strong visibility. It is evident that the competitive position of this property includes site availability, relatively low development costs and the fact that it is fronted by Sueirro Street and Hesperian Blvd.

Due to the length of the lease agreement document it has not been included with this agenda report but is available for review in the office of the City Clerk.

Prepared by:

  
\_\_\_\_\_  
Brent S. Shiner, Airport Manager

Recommended by:

  
\_\_\_\_\_  
Robert Bauman, Director of Public Works

Approved by:

  
\_\_\_\_\_  
Jesús Armas, City Manager

**DRAFT**



HAYWARD CITY COUNCIL

RESOLUTION NO. 06-

Introduced by Council Member \_\_\_\_\_

RESOLUTION AUTHORIZING THE CITY MANAGER  
TO EXECUTE A GROUND LEASE AND ALL RELATED  
DOCUMENTS WITH BROWMAN DEVELOPMENT,  
INC., FOR DEVELOPMENT OF AIRPORT PROPERTY  
ON THE SOUTHWEST CORNER OF HESPERIAN  
BOULEVARD AND SUEIRRO STREET

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 Ground Lease with Browman Development, Inc. for  
development of airport property on the southwest corner of Hesperian Boulevard and  
Sueirro Street, in the form of the agreement on file in the office of the City Clerk, upon  
approval of the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2006

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

**DRAFT**

HAYWARD CITY COUNCIL

RESOLUTION NO. 06-

Introduced by Council Member \_\_\_\_\_

RESOLUTION AMENDING RESOLUTION 05-80, AS AMENDED, THE BUDGET RESOLUTION FOR CAPITAL IMPROVEMENT PROJECTS FOR FISCAL YEAR 2005-06, RELATING TO AN APPROPRIATION OF FUNDS FROM THE AIRPORT CAPITAL IMPROVEMENT FUND, FUND 632, TO THE REAL ESTATE TRANSACTION FUND RELATING TO THE GROUND LEASE WITH BROWMAN DEVELOPMENT, INC., FOR DEVELOPMENT OF AIRPORT PROPERTY

BE IT RESOLVED by the City Council of the City of Hayward that Resolution No. 05-080, as amended, the Budget Resolution for Capital Projects for Fiscal Year 2005-06, is hereby amended by approving an additional appropriation of \$44,000 from the Airport Capital Improvement Fund, Fund 632 to the Real Estate Transaction Fund relating to the ground lease with Brownam Development, Inc., for development of Airport Property at the southwest corner of Hesperian Boulevard and Sueirro Street.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2006

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