



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 11/14/06
AGENDA ITEM 5
WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute a New Ground Lease with Pacific Roller Die Company, Inc., at the Hayward Executive Airport

RECOMMENDATION:

It is recommended that City Council approve the attached resolution authorizing the City Manager to execute a new Ground Lease with Pacific Roller Die Company, Inc.

BACKGROUND:

Pacific Roller Die Company, Inc. (PRD) has operated on the south side of the Hayward Executive Airport since 1963. Located at 1321 West Winton Avenue (adjacent to Fire Station #6), PRD manufactures machinery for fabrication of large steel pipe (Exhibit A). The existing ground lease between the City and PRD expires on June 30, 2013. Over the past few decades, PRD has amended its ground lease several times; its current leasehold encompasses 113,598 sq.ft.

In order to adequately address aviation improvements on the Airport's south side, it is necessary for PRD to transfer an unused portion of its leasehold back to the City. Following negotiations, PRD has agreed to relinquish approximately 33,003 sq.ft. (an area not essential to its business strategy) to the City (Exhibit B). The remaining leasehold would be 76,565 sq.ft. in size. Under the proposed new ground lease, PRD would receive an extension to its current lease termination date, by an additional seven (7) years, to June 30, 2020. The extension period is less than requested by PRD but still sufficient to allow PRD to amortize a significant investment made recently at this facility. The expiration period will coincide with the expiration of the adjoining National Guard lease.

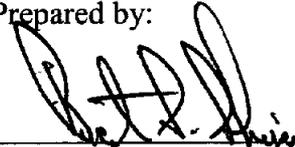
Although a straightforward leasehold reduction and 7 year extension of PRD's existing lease is plausible, it was determined that it would be more advantageous for both parties if an entirely new ground lease was drafted. This new ground lease would rescind and terminate any and all prior leases, agreements, contracts and amendments. The current PRD ground lease has been amended numerous times, and is cumbersome to administer efficiently.

Some of the key terms of the new lease are:

1. All prior and existing leases, amendments and agreements between City and PRD would be terminated, and a new lease would be executed.
2. Reduction in size of the leased premises would be from 113,598 sq.ft., to 76,565 sq.ft.
3. Until June 30, 2013, ground rent would be based upon a CY 2002 appraisal and calculated at 6.5 percent of the Fair Market Value (FMV). From July 1, 2013 through June 30, 2020, ground rent would be based upon 7 percent of the FMV determined by appraisal in 2013.
4. The current ground rent is \$54,528/year. The new land rent, reflecting the reduction in size of the leasehold, would be \$36,751/year.

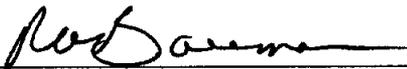
Due to its length, a copy of the proposed Ground Lease is not attached, but is available for review in the office of the City Clerk.

Prepared by:



Brent S. Shiner, Airport Manager

Recommended by:



Robert Bauman, Director of Public Works

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A: Vicinity Map of PRD
Exhibit B: Leasehold Description map

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

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 PACIFIC ROLLER DIE
COMPANY, INC., AT THE HAYWARD EXECUTIVE
AIRPORT**

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 new Ground Lease with Pacific Roller Die Company, Inc., at the Hayward Executive Airport 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