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FAX TRANSMITTAL

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Date: Dec 19, 2011

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Total Number Of Pages Including Cover Page: 3

To Hayward City Clerk
Fax 15105833636

Subject: Airport Property Partners, LLC

Notes:

Original to follow via:
Regular Mail Messenger Overnight None

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December 19, 2011

Via Facsimile 510-583-3636 and Email: List-Mayor-Council@hayward-ca-gov

Mayor Michael Sweeney and
City Council Members
City of Hayward
City Hall Building
777 B Street
Hayward, CA 94541-5007

Airport Property Partners, LLC

Dear Mayor Sweeney and Fellow Council Members:

I write to follow up on an earlier letter I sent on December 16, 2011 on behalf of my clients Airport Property Partners, LLC and Hayward FBO, LLC, (known as APP Jet Center) regarding a proposed lease of hangar space with Hayward Airport Development LLC ("HAD"). Although we appreciate the fact that the City has reconsidered the earlier proposed below-market rent, we believe that the newly proposed rent of \$1.00 per square foot per year for the hangar space as set forth in its now-issued staff report is still woefully below market and cannot be lawfully justified. In short, we do not believe that the new proposed rent changes any arguments raised in our December 16th letter, and in fact the explanation for the new rent expressed in the staff report still does not justify such a deviation from market rates. Indeed, there is no dispute that the public rate for City-owned hangars is about \$3.76 per square foot per year, and that this is presumably based on market rates. The staff report seems to indicate that a nearly 70 percent discount from this rate is warranted because of the age of the hangar, the fact that other land is required to be leased, the risk of financial difficulties in dealing with a brown-field site, and the disruption caused to HAD by the remaining clean-up to be done. All of these factors are merely mentioned and not adequately discussed or supported. Moreover, there is no acknowledgment that the hangars subject to the lease agreement are superior to others at the Hayward Airport; there is no specification of what work needs to be done and at what cost to update the hangars; the remediation to be done at the site is the responsibility of the Air Force, not HAD and disruptions caused by that remediation could in fact affect other hangar operators, as well. Perhaps most importantly, there is no evidence that the City followed its own required procedures in making such a dramatic adjustment to the market rent. According to the most recent Master Fee Schedule, "Every four (4) years, staff will conduct a market analysis to ensure that hangar rents are consistent with the prevailing market rates. If analysis demonstrates that hangar rents require modification, such shall be accomplished during the next hangar adjustment period. Such rates shall be charged unless otherwise

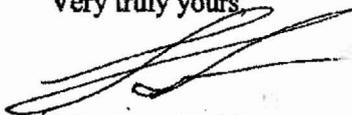
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directed by the Council." Although the Council is clearly being asked to approve a below-market hangar rate, there is no analysis or factually supported basis for dramatically slashing an otherwise approved market rate. We would ask that this analysis be done before any negotiations are completed and a lease approved.

We thank you for your attention to this matter, and should you have any questions, please give me a call.

Very truly yours,



John Lynn Smith

JLS:rp