

City of Hayward
777 B Street
Hayward, CA 94541

Council Airport Committee Meeting
Thursday, July 28, 2011
6:00 p.m.
City Council Chamber

A G E N D A

6:00 p.m. Call to Order - Pledge of Allegiance

Public Comments: (The PUBLIC COMMENTS section provides an opportunity to address the Committee on items listed on the agenda, as well as other items of interest. The Committee welcomes your comments under this section, but is prohibited by State law from discussing items not listed on the agenda. Your item will be taken under consideration and referred to staff.)

- 1. Approval of March 17, 2011 Summary Minutes**
- 2. Informational Update on Airport Fuel Pricing**
- 3. Informational Update on the Sulphur Creek Mitigation – Planning Project**
- 4. Informational Update on the Proposed Assumption of the Epic Aviation Commercial Site Lease by Ascend Development**
- 5. Informational Update on the Hayward Hangars, LLC New Hangar Construction Project**
- 6. Future Agenda Items**

Distribution:

Mayor and City Council
City Manager
Assistant City Manager
City Attorney
Public Works Director

City Clerk
FAA Tower Manager
Airport Tenants
FBO's

Interested Parties
Daily Review
Post

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DATE: July 28, 2011
TO: Council Airport Committee
FROM: Robert A. Bauman, Director of Public Works
SUBJECT: Summary Minutes for March 17, 2011

CALL MEETING TO ORDER

Council Member Henson called the meeting to order at 5:30 p.m. with both Council Member Quirk and Council Member Halliday present.

City staff: Robert A. Bauman, Director of Public Works
Michael Covalt, Interim Airport Manager
Noemi Dostal, Airport Administrative Analyst
Courtney Moreland, Airport Intern
Amy Maloon, Airport Secretary

Members of the public present:

Jim Bowers	Ernest Delli Gatti	Robert Pinedo
Gary Briggs	Thom Harrow	Brian Schott
Frances Coutches	Nathan Hofferber	
Robert Coutches	Jon Lee	

PUBLIC COMMENTS

Mr. Robert Bauman, Public Works Director, introduced Michael Covalt, Interim Airport Manager, who has been at the Airport since December 2010. The new Airport Manager, Doug McNeeley, will be starting on March 28, 2011.

Mr. Michael Covalt gave a brief review of his career and thanked Airport staff for all their help during his time at Hayward.

Council Member Quirk announced he would have to leave by 6:30 pm for another meeting.

1. Approval of Summary Minutes – October 28, 2010

Summary Minutes were approved as submitted with Council Member Halliday abstaining due to her absence at that meeting.

2. Informational Update on Southside Development

Mr. Michael Covalt, Interim Airport Manager, presented two items concerning the south side development using a PowerPoint presentation.

The first item was an update on the California Air National Guard (CANG) site. The initial environmental remediation for 24 acres of the site was completed in the Fall of 2010. Amendment #10 of the CANG lease, which will return 24 acres of land to the City and ensure that the City is not responsible for the remaining toxic cleanup, will be presented to City Council for approval at the end of March 2011. In 2008, the City of Hayward issued a Request for Proposal (RFP) for development of the CANG site. Hayward Airport Development, LLC was awarded the development rights based on its proposal in 2009 and will sign a lease to develop the CANG site in the near future. The lease will cover only Phase 1, which includes renovating the main CANG hangar, ramp, and apron area to bring it up to code, and provide space for the Tuskegee Airmen's Museum. In the meantime, there is further investigation on the site and additional environmental remediation will be necessary. After Phase 1 is complete, and the environmental remediation is finished, the City will negotiate Phases 2-5 in a new lease for the remainder of the CANG site.

The second item was an update on the Field Aviation, LLC development. The FAA approval of the Airport's updated ALP allows this development to start with Phases 1 and 2. The details of the 50-year lease include a \$4 million investment, installation of utilities, and a \$100,000 contribution to the Aircraft Rescue and Fire Fighting (ARFF) program. The development will produce an FBO office, six hangars, and an aboveground fueling facility. The City Council has given the approval to negotiate and execute a commercial lease agreement with Field Aviation, LLC. The City Council also approved a Letter of Agreement that would allow Field Aviation, LLC, first rights to negotiate for additional land on the south side of the airport to follow through with Phases 3 and 4 of its development plan.

The next steps for the two items are to gain release of the 24-acre CANG site, negotiate a lease with Hayward Airport Development, LLC, work with CANG and the Army Corps of Engineers for further environmental remediation, and sign the Field Aviation, LLC's lease.

Council Member Quirk confirmed with Mr. Bauman that the City Council had approved the Letter of Agreement for Field Aviation, LLC and had authorized negotiation and execution of the lease agreement for Phases 1 & 2. Mr. Bauman confirmed and stated that, in addition to the costs of development and ARFF fees, Field Aviation, LLC would spend over \$2 million to install utilities on the south side. This was the reason why Field Aviation, LLC had been given first rights to develop on the additional land.

Council Member Quirk had questions about existing executive hangar rates and the comparison to the CANG hangar lease rate for Hayward Airport Development, LLC. Mr. Bauman responded that the City has not completed negotiations on the CANG hangar rent and the proposed hangar rate took into consideration the CANG hangar's size. The proposed rate is the same rate as the executive hangar rate, even though it is not the market rate for hangar of the same size, but it takes into account the renovation required to bring the building up to code.

Council Member Quirk followed with a question about the adjustment of the City's hangar rents for the coming fiscal year. Mr. Bauman explained that this is the scheduled year to adjust the hangar rents based on the market rate analysis of comparative airports. However, it was decided that 75% of the CPI would be used instead. This results in a very small increase for the hangar rates.

Council Member Halliday expressed concern about traffic on Winton Ave. once the south side developments, specifically of Field Aviation, LLC, are complete. Mr. Bauman responded that the 2002 Master Plan shows traffic on Winton Ave. is due to the industrial area's jobs and not caused by high-density development, such as housing or retail. In general, airport development does not generate a lot of car traffic. As for the Field Aviation, LLC development, it will be creating an access road and parking lot for its site. In addition, the traffic light in front of the CANG site will be upgraded via a different City project.

Council Member Halliday asked for an end date for the environmental work at the CANG site. Mr. Bauman stated that there would be a meeting with all parties involved to discuss environmental regulations to create an action plan for the cleanup of toxic substances. He estimated that the end date for the work should be about 4 years.

Council Member Henson wanted to know if the City of Hayward would be responsible for the CANG cleanup, and Mr. Bauman replied "No." The responsibility would fall on CANG for the costs and repairs, and while it is a verbal agreement now, it will be in Amendment #10 of the lease document.

PUBLIC COMMENTS

Mr. Ernie Delli Gatti wanted to ensure enforcement of California EPA rules for above ground fueling of aircraft at the future development on the Field Aviation, LLC site. Mr. Bauman replied that the company is in compliance. The FAA has completed a NEPA review for the fuel facility, and Field Aviation, LLC is working with Hayward Fire Department to conform to its requirements, as well. Mr. Bauman told Mr. Delli Gatti to send him his specific concern.

Mr. Gary Briggs, Manager of Ascend Development, commented on the CANG site and the need for a master lease for the entire site and not just for Phase 1 of the Hayward Airport Development, LLC development plan. One of his concerns is the ability for other organizations to develop the site. Another concern is the need for the Airport to charge market rate for the rent of the CANG hangar instead of 52 cents/square foot (due to its size) and the requirements stated in the 2009 Request for Proposal for the CANG site. Mr. Briggs proposed that the City of Hayward negotiate a master lease up front for the entire site or a defined portion thereof, set a

defined timeline for development and release of the remainder of the CANG site. He also suggested changing the rent amount on the lease agreement to the going market rate for comparable rental space. Improvement expenses could be credited to the rent.

Mr. Briggs stated if these changes are not made, there should be a new RFP for the CANG site so that other companies may have a chance to develop the area that Hayward Airport Development, LLC will not use. Mr. Bauman clarified the lease agreement process, stating that a master lease would be finalized at the same time as the Phase 1 lease is signed, and that Hayward Airport Development, LLC would meet the RFP requirements. He agreed that if all the land is tied up, they should pay some rent for all of the land.

Council Member Henson reminded everyone that this presentation is just an informational update.

Mr. Briggs also spoke about the Field Aviation, LLC development, specifically with regard to the amount of land available for development. He stated that there is a very small amount of land on which to develop on the south side, and it appears that these two developments will soon have agreements for the majority of the land. He asked if other companies will be able to develop the land that Hayward Airport Development, LLC or Field Aviation, LLC have not built on once their leases end. He requested a delay in the signing of the Field Aviation, LLC lease until this question is answered. Mr. Bauman replied that the City Council authorized the negotiation and execution of lease with Field Aviation, LLC and it will be moving forward. He said that Mr. Briggs' concern about the rights to develop the land would be addressed later.

Council Member Halliday commented on the change in the number of FBOs at the airport. She noted that there would be only two, one on the north side and one on the south side. Mr. Bauman concurred. He further explained by saying many airports are set up in a similar fashion; otherwise, fuel vehicles and aircraft would need to cross the runways constantly when there is only one FBO and that is a safety issue.

Mr. Tom Harrow, owner of APP Jet Center, questioned the timing of SP Aviation's move to the CANG hangar as part of Hayward Airport Development, LLC and the amount of investment it would have to make prior to moving with the possibility of self-fueling. He has heard of many timeframes that range from 2 years to "tomorrow." Since SP Aviation is currently his largest tenant and fuel buyer, this timeline seriously concerns him. He asked if its investment is comparable to what he had to invest into the APP Jet Center leasehold. Mr. Bauman answered that Hayward Airport Development, LLC's move to the south side of the airport will take a significant amount of time because of the Air National Guard's timing and release of the site to the City. The CANG hangar and office spaces need improvements before it is useable. SP Aviation would have to purchase fuel from Field Aviation, LLC when it is operational. There is a possibility of self-fueling because SP Aviation would be alone on the south side until Field Aviation, LLC development occurs. The option to self-fuel is more of a safety issue so that aircraft will not be crossing the runways to get fuel from the only FBO, which is APP Jet Center.

Council Member Quirk added that self-fueling is being considered, but the lease would only be a ground lease, not an FBO lease. The only FBO on the south side will be Field Aviation, LLC.

Council Member Quirk excused himself and left for his other meeting.

3. Informational Update on APP Assumption of Atlantic Aviation Lease

Mr. Covalt presented the topic, starting with the history of both APP Jet Center and Atlantic Aviation acquiring their leases through an assignment due to buyouts of the previous companies. APP Jet Center has purchased the Hayward location of Atlantic Aviation from the corporate organization. Atlantic Aviation's FBO lease will be assigned to APP Jet Center after City Council's approval in April 2011. At this time, the lease will be changed to match the same requirements of the Field Aviation, LLC's FBO lease. The current APP lease will revert to a ground lease. APP will remove the temporary structures on the leasehold and install a self-service fuel station.

Council Member Halliday wanted to clarify that, with the purchase of Atlantic Aviation by APP Jet Center, there would only be one fuel provider on the airport until Field Aviation, LLC is developed. Mr. Bauman responded affirmatively, adding that Thom Harrow, owner of APP Jet Center, has to be fair with pricing, otherwise the pilots will fly elsewhere to meet their fuel need.

Council Member Henson wanted to know how the new APP Jet Center lease would match the Field Aviation, LLC lease. Mr. Bauman stated that clauses pertaining to landing fees and insurance requirements would be included so that both FBOs would be operating under the same rules. Councilwoman Halliday appreciated the Airport's fairness.

Council Member Henson asked if APP Jet Center would begin operating at the current Atlantic Aviation FBO building. Mr. Bauman replied that the City has not yet approved the assignment of the lease. After the approved lease is signed, APP Jet Center will begin to operate out of the current Atlantic FBO building, except for the self-service fueling station.

PUBLIC COMMENTS

None.

4. Annual Evaluation of Performance-based Noise Ordinance

Mr. Covalt presented the annual noise report. There has been a 19.8% drop in total operations this year, and this is consistent with the operations count at airports nationwide. The number of exceedances increased but a majority correlate to the two visits from President Obama in the Bay Area with Air Force One landing at San Francisco International Airport. Temporary Flight Restrictions (TFR) were issued because of the visits and an unusual number of transient corporate jets were re-directed to Hayward. The majority of the complaints were from jet aircraft flying in the daytime during the summer. There is a common connection made to this data because people spend more time outside or have their windows open more in the summer. Mr. Covalt pointed out that the airport staff does a wonderful job with outreach to the transient pilots concerning our noise ordinance through meetings, pamphlets, and flyers. The airport staff's

efforts are evident through the decreased numbers of complaints and exceedances in 2010 compared to 2009.

Council Member Henson asked for more details on what happens when President Obama comes to the area. Mr. Covalt explained that a TFR is issued and it shuts down local airspace. Most commercial aircraft are diverted to Oakland International Airport or San Jose International Airport. The smaller private aircraft are directed to go elsewhere, many of them ending up at Hayward.

Council Member Henson added that past noise reports were compared to similar-sized airports in the area and Hayward has always done very well. Mr. Covalt agreed and stated that we are lucky to have our noise ordinance as most communities do not have an ordinance, or the ordinance is not as effective. Mr. Bauman added the airport receives a lot of cooperation from the tenants.

Council Member Halliday noted that the complaints have diminished compared to when she initially became a member of the CAC. The annual report not only shows this, but the calls to her concerning noise are less. One ongoing concern both she and her constituents have is the upcoming Russell City Energy Plant and the diversions of aircraft that might occur. Mr. Bauman said that there are very few aircraft that currently fly in that area, but it will be looked at once the plant is built.

PUBLIC COMMENTS

Mr. Ernie Delli Gatti recommended that the airport staff add an “others” section to the supplemental graphs of the annual noise report because heavy aircraft travel through Hayward’s airspace to get to Oakland International Airport. He added that we are likely to see more of an impact of these large aircraft in our area after the power plant is built.

5. Future Agenda Items

- Council Members requested a tour of the CANG site.

There will not be a regularly scheduled CAC meeting on April 28, 2011 due to the postponement of the January meeting to March. The next CAC meeting will be on July 28, 2011.

ADJOURNMENT

The meeting adjourned at 6:57 p.m.

DATE: July 28, 2011

TO: Council Airport Committee

FROM: Robert A. Bauman, Director of Public Works

SUBJECT: Retail Price of Aviation Gas Sold by APP Jet Center at Hayward Executive Airport

RECOMMENDATION

That the Committee accepts this report as information only; no action is necessary.

BACKGROUND

The retail price of aviation gas (avgas) has been increasing in response to conditions in the marketplace. This has generated concern and price sensitivity among general aviation pilots that fly piston-powered aircraft, including those at Hayward Executive Airport. There is a perception among some based tenants that APP Jet Center (APP) is exploiting its position as the only full-service fixed base operator (FBO) currently on the airport and that it is artificially raising retail fuel prices due to the absence of competition. In response to these concerns, in early July staff conducted a survey of fuel prices in the San Francisco Bay area and found that posted fuel prices at Hayward were the second highest of ten airports surveyed. APP contends it has maintained a constant fuel profit margin over the past several months and its pricing is most affected by the fluctuating cost of fuel from its supplier and the cost of doing business at Hayward. However, APP has agreed from this point forward to more closely monitor the fuel prices of competitors and better publicize fuel discounts currently available to the flying public. It has also appointed a new general manager of its Hayward facility.

DISCUSSION

Prior to April 19, 2011, there were two full-service FBOs at Hayward Executive Airport: Atlantic Aviation FBO Holdings, LLC (dba Atlantic Aviation) and Hayward FBO, LLC (dba APP Jet Center). On that date, Council approved the assignment and assumption of the Atlantic Aviation site lease to APP. The sale closed on April 28, 2011 and APP became the sole supplier of avgas and jet fuel on the airport. This is not an exclusive right, and additional FBOs will be present on the airport in the future.

During an Airport tenant meeting on May 25, 2011, the Airport Manager received feedback regarding high retail fuel prices at APP. Those comments were echoed at a meeting of the Experimental Aircraft Association attended by the Airport Manager on June 9, 2011, and again at a meeting of based commercial tenants on June 15, 2011. A number of adverse comments regarding fuel price was also received throughout June from respondents to a survey of based tenants.

Due to the volume and the contentious nature of the comments, staff determined that further investigation was appropriate. Paragraph 22 (b) (2) of the Federal Aviation Administration Airport Sponsor Assurances stipulates that the charge for services at a federally-obligated airport must be reasonable and not unjustly discriminatory. Similar language is reflected in Paragraph 4.03 of the Atlantic site lease assumed by APP.

A survey of posted retail aviation fuel prices at general aviation airports in the San Francisco Bay area was conducted on June 16, 2011. The survey data were acquired from *AirNav.com*, a popular aviation website (Attachment I). The results indicated that Hayward had the second highest avgas and jet fuel prices of the 10 airports surveyed. This information was conveyed to Thom Harrow, Chief Executive Officer of APP, and Nathan Hofferber, APP Hayward General Manager.

On July 12, 2011 Mr. Harrow sent a memorandum to the Director of Public Works and the Airport Manager responding to criticism of his fuel pricing model (Attachment II). In summary, he stated the following:

- His profit margin on fuel has remained the same during the past four month period.
- He has maintained a self-serve avgas discount of \$0.70 per gallon, even though a self-service pump is not currently available and he is providing fuel with trucks and the associated higher overhead. He acknowledges doing a poor job of publicizing the availability of this discount.
- He is skeptical of using posted prices for the airport comparative fuel survey, but this is the industry norm. APP itself does not list any discounted prices online.
- He states the cost of doing business at Hayward, specifically the fuel flow fee and property taxes, is high in relation to his three other locations. However, other airports charge fees comparable to Hayward if a larger population is used.

On July 13, 2011, Mr. Harrow and other members of his staff attended a meeting of based commercial airport tenants and engaged in a frank discussion about fuel pricing. The outcome of the meeting included the following items:

- Distribution of a flyer outlining the necessary procedures to receive the \$0.70 per gallon APP avgas self-service discount price (Attachment III). The flyer was also posted in the Airport administration office for the convenience of based tenants.
- Introduction of new General Manager, Genevieve Hazle. She has extensive FBO operations experience and plans to be proactive in communicating with tenants.
- The APP staff will more closely monitor the retail fuel prices of its local competitors to ensure its pricing is reasonable.
- There was a greater understanding among attendees of the fixed and variable costs involved in the sale of aviation fuel.

The commercial tenants in attendance seemed reasonably satisfied with this outcome. The Airport Manager will continue to monitor tenant comments and competitive fuel pricing within the local area.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Robert A. Bauman, Director of Public Works

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: Surveys of Avgas Prices and Jet Fuel Prices
- Attachment II: Memorandum from Thom Harrow
- Attachment III: APP Flyer

ATTACHMENT I

AIR NAV FULL SERVICE JET FUEL RETAIL PRICE SURVEY JUNE 16, 2011		AIR NAV FULL SERVICE AVGAS RETAIL PRICE SURVEY JUNE 16, 2011	
Napa, CA Bridgeford Flying Service	\$6.74	Napa, CA Bridgeford Flying Service	\$6.69
Hayward, CA APP Jet Center	\$6.41	Hayward, CA APP Jet Center	\$6.53
Navato Aviation DVD Fuel	\$5.94	Oakland, CA Business Jet Center	\$6.35
Oakland, CA Business Jet Center	\$5.90	Palo Alto, CA Rossi Aviation	\$6.15
San Carlos, CA Rabbit Aviation	\$5.90	Navato, CA DVO Fuel	\$6.10
Palo Alto, CA Rossi Aviation	\$5.90	San Jose, CA (Reid Hillview) Aerodynamic Aviation	\$5.99
Livermore, CA City of Livermore	\$5.70	Livermore, CA City of Livermore	\$5.98
Concord, CA Pacific States Aviation	\$5.25	San Carlos, CA Rabbit Aviation	\$5.97
Tracy, CA City of Tracy	\$4.79	Concord, CA Pacific States Aviation	\$5.80
		Tracy, CA City of Tracy	\$5.21

**MEMORANDUM**

TO: DOUG MCNEELEY
ROBERT BAUMAN

FROM: THOM HARROW

DATE: JULY 11, 2011

RE: APP JET CENTER FUEL PRICING POST ACQUISITION OF ATLANTIC

This memorandum discusses the pricing of avgas by APP Jet Center in Hayward. APP acquired the former Atlantic Aviation facility at Hayward on May 20, 2011. I understand that some of the avgas customers at APP believe that there has been an increase in avgas prices since the acquisition. In addition, airport management is concerned that the pricing of fuel in Hayward is not competitive relative to other airports in the area.

Has APP Raised Avgas Prices?

In order to understand whether our pricing of avgas has changed since the acquisition, I reviewed every avgas invoice for APP customers from March 1 to July 6, 2011. During that period, APP sold 52,000 gallons of Avgas and 320,000 gallons of Jet A.

I then looked at every invoice we received from Eastern Aviation Fuels, our Shell fuel supplier. Generally we receive one or two new fuel loads a week from Eastern, so a good database exists of our costs.

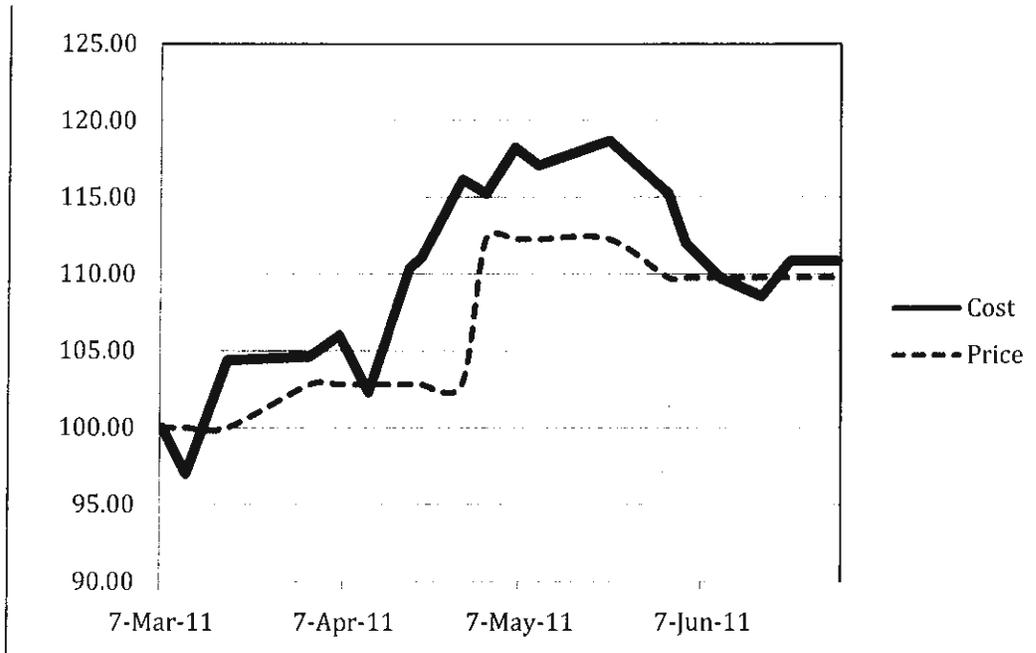
What I found, as I expected, is that there has been no increase in our fuel margin. However, the price of fuel to the customer has gone up for most of the period, as the cost of oil has gone up. The price peaked during the first week of May, coincident with the peak price of oil during that period.

I suspect that the general increase in oil and fuel prices, occurring around the period of our acquisition, has led to the perception that we have been taking advantage of our position as the sole supplier on the field.

Set forth below is a chart showing our cost and pricing for avgas during the period:

APP AVGAS COST AND PRICING

MARCH 1, 2011 = 100



As the chart demonstrates, the percentage increase in the cost of fuel to us, and the price we charged for it, moved more or less consistently. The chart does not show actual pricing, just the relative change for cost and price over time, with the initial cost or price shown as 100.

Note as well that the chart only reflects the sale of approximately 20,000 gallons of avgas during the period, rather than the full 50,000 gallons we sold. We eliminated the purchases of approximately five major customers who have discount arrangements with us, leaving a universe of essentially retail general aviation buyers. During the period, their purchases represented approximately 5% of the Jet A and avgas we sold.

Self Serve

One of the factors that may be contributing to the perception about our pricing is the way we communicated our self serve policy after the acquisition. As you may recall, after we acquired the original Volo facility, we reinstalled the self-serve equipment on the fuel farm, and began offering a \$.70 discount to self serve buyers. When we removed the fuel farm at that site for remediation, we continued to sell

fuel at self serve prices, although we pumped fuel directly to self serve purchasers, since we no longer had a fuel farm to sell from.

Having moved to the new site, we once again have a fuel farm, however it has no self serve facility. Until we install a separate self serve point, we are willing to continue to offer fuel at a discount, provided customers are located in a designated area from which we can pump avgas without disturbing movements on the ramp.

Our communication on this point hasn't been as good as it should be, and we will correct that.

Comparative Fuel Pricing

We were asked why among a list of competitive fixed base operations in the area, our cost was among the highest. The list of other fbo's was presented as follows:

Bay Area Full Service Avgas Pricing

Posted Price as of July 11, 2011

<u>Location</u>	<u>JET A Posted Price</u>	<u>Runway Length</u>
Napa, CA Bridgeford Flying Service	\$6.64	5,930'
Hayward, CA APP Jet Center	\$6.50	5,694'
Oakland, CA Business Jet Center	\$6.20	10,000'
Palo Alto, CA Rossi Aviation	\$6.05	2,443'
Navato, CA DVO Fuel	\$6.10	3,300'
Livermore, CA City of Livermore	\$5.28	5,253'
San Carlos, CA Rabbit Aviation	\$5.86	2,600'
Concord, CA Pacific States Aviation	\$5.65	5,100'
Tracy, CA City of Tracy	\$5.11 (self serve)	4,005'

Airports with runways shorter than 4,000 feet should not be included in this survey. At that runway length jet operation and the fbo's on the field solely focus on avgas customers. These fbo's have significantly lower operating costs, for example for liability insurance, pollution and tank coverage, and here in Hayward, earthquake insurance. These four lines of insurance add nearly \$250,000 to our operating cost vs. an operator selling only avgas to less expensive aircraft.

In truth virtually no one pays the "posted" price for fuel at any fbo. For example, two-thirds of our fuel is sold under contract to major customers for substantially less than the posted price. For transients, the posted price is a point of negotiation; in the end the customer always pays less. *During the month of June, the average price per gallon at which we actually sold fuel was \$4.83.*

The other item affecting fuel pricing (assuming posted pricing has any meaning at all) is the operating costs at the airport. Principally these include fuel flowage and real estate taxes (if any). An analysis of fuel pricing at various airports must consider these costs.

The fuel flowage charge at Hayward is twice as high as the next most expensive base we have. It's nearly three times higher than our least expensive.

Fuel flowage is generally charged on a per gallon basis. At our Manassas base, for example, which is part of the DC market, the flowage fee is \$.07 per gallon. In Fort Pierce, its \$.05 per gallon, and in Sarasota, its \$.06.

Hayward is unique because the flowage fee is calculated as the *higher* of 3.0% of the sale price of the fuel, or \$.05 per gallon.

This structure, which is embedded in our lease, was reasonable when the lease was originally written, and retail fuel was less than \$2.00 per gallon. At that level, 3% of price or \$.05 per gallon were pretty much the same.

However, fuel prices are now \$5.00 to \$6.00 per gallon and flowage is therefore charged at 3.0% of the price. *The flowage fee for a \$5.50 gallon of fuel in Hayward is \$0.165, more than twice the amount in the Washington DC market.*

At a projected sales volume of 1.3 million gallons, the combined effect of this additional fuel flowage and local real estate taxes is \$.15 per gallon of fuel.

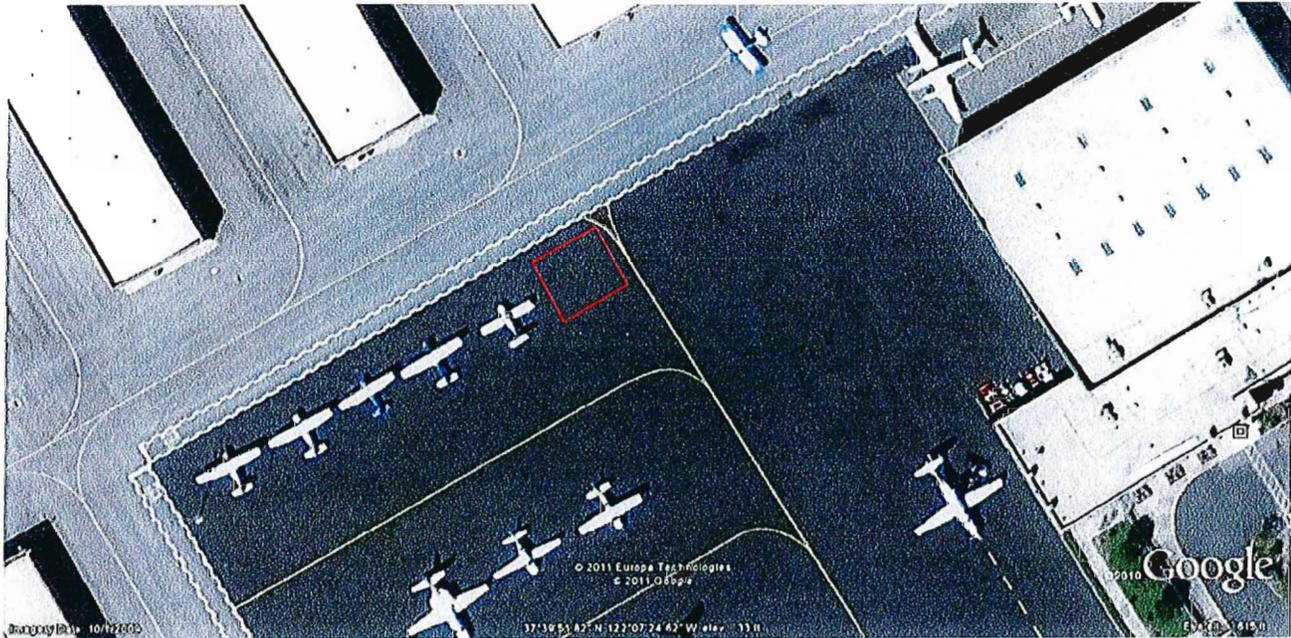
Summary

Having looked at historical fuel prices over the last 4 months, along with the cost of fuel to us, I am satisfied that we have not increased pricing, other than to the extent oil and gas prices have gone up generally. Energy prices peaked around the time of our acquisition, and there is a natural suspicion that we are capitalizing on our position as the sole supplier on the field. These factors lead to the assumption that we are raising prices, but I believe the data indicate otherwise.

It's convenient to survey posted prices in an area to determine whether an individual fbo is being competitive or not. However, posted prices have little to do with the actual price for fuel. And operating an avgas only fbo versus an fbo that has insurance and other requirements consistent with jet operations are economically two completely different propositions.

I do acknowledge that we have not done the best job of explaining our self serve policy in the new facility, and this may have significantly affected the perception of our pricing. Bearing in mind the need to operate a large ramp safely, we will be more clear going forward on what our self serve policy is, and what aircraft owners need to do to take advantage of it.

TEMPORARY SELF SERVE PROCEDURES



Self Serve Procedure:

- Call on ARINC 129.725 to alert CSR that service is required at 'Self Serve Box' and relay your tail number and account
- Proceed to and Park within 'Self Serve Box'
- Be aware that a delay is possible as techs may be working on other orders
- Pilot should be present during fueling on a reasonable basis.
- Aircraft should be removed by client from 'Self Serve Box' following fueling

Account Setup:

- Self Serve Clients must open an account with APP
- Self Serve pricing will be assigned to the account
- Accounts must have a credit card number on file
- Clients may pay cash, but must do so at time of delivery
- There will be an addtl .10 discount for Shell card or cash



DATE: July 28, 2011
TO: Council Airport Committee
FROM: Robert A. Bauman, Director of Public Works
SUBJECT: Informational Update Regarding the Sulphur Creek Mitigation – Environmental Planning Project at Hayward Executive Airport

RECOMMENDATION

That the Committee accepts this report as information only; no action is necessary. The information in this report was previously reviewed by the full City Council on July 12, 2011 but is being provided to the Council Airport Committee as a means to provide information to interested Airport tenants and the public.

BACKGROUND

A portion of Sulphur Creek crosses Hayward Executive Airport and flows to the San Francisco Bay. Approximately 412 feet of Sulphur Creek flows in an open channel on the airfield within the Runway Safety Area of Runway 10L – 28R (See Attachment 1). This poses a potential safety hazard in the event that an aircraft on the runway leaves the pavement due to an unforeseen incident or accident. Under these circumstances the aircraft could impact the open channel with the possibility of significant damage to the aircraft and injury to the occupants.

In CY 2007, the Federal Aviation Administration Runway Safety Action Team (RSAT) recognized this potential safety issue and recommended that the City of Hayward take steps to cover the open portions of the creek near the runway and grade the immediate area to a smooth surface. Airport management subsequently contacted the Federal Aviation Administration Airports District Office in San Francisco (SFO-ADO) and determined this project would be eligible for federal grant funding, under the Airport Improvement Program (AIP).

DISCUSSION

Before this improvement project can be constructed, it is necessary to complete an Environmental Assessment (EA) in compliance with the National Environmental Policy Act (NEPA), prepare environmental documentation in compliance with the California Environmental Quality Act (CEQA), develop plans and specifications, and define mitigation steps necessary to move Sulphur Creek into enclosed culverts.

City staff selected an environmental consultant based upon a qualifications-based selection process in accordance with FAA Advisory Circular 150/5100-14D. A Request for Qualifications was directly mailed to a list of consultants and was also available on the City's website from October 1 to October 15, 2010. Staff received a total of seven proposals and they were evaluated according to objective criteria by a committee composed of members of the Airport and City Engineering staff. Reynolds, Smith and Hills of San Francisco, California was determined to be the most qualified firm because they have extensive environmental permitting experience with the California Department of Fish and Game, San Francisco Bay Regional Water Quality Control Board, and the U.S. Army Corps of Engineers on similar projects throughout the Bay Area and in the City of Hayward, specifically.

The purpose of a Runway Safety Area is to provide a prepared surface in the turf area surrounding a runway to reduce damage in the event of an aircraft undershoot, overshoot, or excursion from the runway. Enclosing the open channel in the Runway 10L-28R Runway Safety Area and grading the immediate area will provide important safety benefits to airport users and the City of Hayward. Since this potential safety hazard has been identified at the Hayward Executive Airport and funding is available to mitigate the hazard, it is recommended that this issue be addressed as soon as practical.

On July 12, 2011 the Hayward City Council authorized the City Manager to negotiate and execute a Professional Services Agreement with Reynolds, Smith and Hills in an amount not to exceed \$287,000 for Sulphur Creek Mitigation – Environmental Planning Project at Hayward Executive Airport.

FISCAL IMPACT

The estimated project costs are as follows:

Phase 1, Environmental Planning	\$ 286,000
Phase 2, Final Design	450,000
Phase 3, Construction	1,250,000
Project Administration (5%)	<u>150,000</u>
TOTAL	\$2,136,000
Contingency Amount (10%)	<u>210,000</u>
TOTAL WITH CONTINGENCIES	\$2,346,000

The Sulphur Creek Mitigation project will be accomplished in three separate and sequential phases as outlined above. Each phase of the project will be reimbursed through grants from the Federal Aviation Administration (FAA) covering 95 percent of the estimated cost.

Based on the scope of work for Phase 1 and subsequent negotiations, a cost estimate of \$286,049 was received from the consultant and determined to be reasonable by the City of Hayward, the SFO-ADO, and by a required Independent Fee Estimate. The FAA AIP grants will cover 95 percent the cost estimate, or \$271,746. The City of Hayward is required to fund the remaining 5 percent of the cost estimate, or \$14,303.

The FY 2011 Capital Improvement Program (CIP) includes \$315,000 for Phase 1, Environmental Planning. The FY 2012 CIP includes \$3,250,000 for Phase 2, Final Design and Phase 3, Construction. A grant offer from the FAA for Phase I activities was received in the amount of \$95,000, and a grant to reimburse the remaining cost of Phase I work is forthcoming. An amount up to 5 percent of the total project cost is eligible for reimbursement for project administration.

PUBLIC CONTACT

As part of the scope of work, the consultant will prepare a public outreach plan to include key messages, core audiences and public involvement activities to support the development and release of the draft EA. The public outreach plan will ensure that the interested public will have an opportunity to provide input, the interests of participants will be communicated to decision makers, and that participants are provided with information needed to participate in a meaningful way.

SCHEDULE

Phase 1 – Environmental Planning

Award Contract	July 12, 2011
Complete Phase 1 Work	September 30, 2011
Publish Draft EA/EIR	November 30, 2011
Obtain NEPA Clearance	December 31, 2011

Phase 2 – Final Design

Award Phase 2 Contract	February 2012
Complete Plans and Specifications	July 2012
Publish Final EA/EIR	September 2012

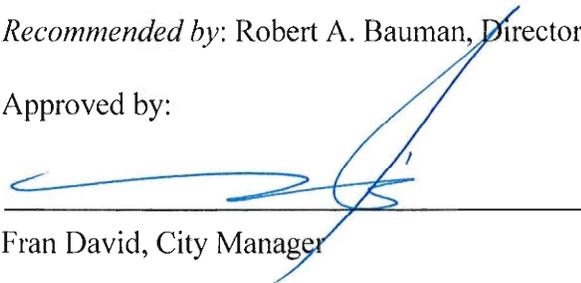
Phase 3 – Construction

Award Construction Contract	April 2013
Notice to Proceed	July 2013
Substantial Completion	September 2013

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Robert A. Bauman, Director of Public Works

Approved by:



Fran David, City Manager

Attachments:

Attachment I: Location Map



LOCATION MAP – SULPHUR CREEK



DATE: July 28, 2011
TO: Council Airport Committee
FROM: Robert A. Bauman, Director of Public Works
SUBJECT: Informational Update on the Proposed Assumption of the Epic Aviation Commercial Site Lease by Ascend Development

RECOMMENDATION

That the Committee accepts this report as information only; no action is necessary.

BACKGROUND

In 1994 the City executed a commercial site lease with Valley Oil Company. Epic Aviation, LLC is the successor to Valley Oil. The original Epic lease was modified in February 2004. At that time, as part of Council's approval for expansion of the Ascend II lease, and to allow the City to pursue construction of T-hangars, a portion of the original 6.22-acre Epic leasehold designated as Parcel B, consisting of 2.09 acres, was to revert to the City for the construction of the Skywest T-hangar project. In exchange for the provision to return the 2.09-acre parcel to the City, the Epic lease for the remaining 4.12-acre parcel was extended to January 31, 2054, contingent upon completion of the proposed Ascend II hangar development. The City, ultimately, did not construct the Skywest hangar project, and the 2.09-acre parcel was returned to Epic through a lease amendment dated January 12, 2009.

Because Epic Aviation, LLC is headquartered in Oregon, the leasehold at Hayward was managed for Epic through operating agreements with a succession of fixed base operators including Flightcraft, Tragen, and Atlantic Aviation. The City has recently become aware of tenant concerns regarding the adequacy of maintenance provided by Atlantic Aviation until its departure from the airport in April 2011.

DISCUSSION

On May 9, 2011, Ascend Development signed a Purchase Agreement with Epic Aviation, LLC for the purchase of its leasehold at Hayward Executive Airport. Ascend also assumed day-to-day management activities as part of that agreement, and it has made some repairs to the hangar buildings deemed necessary for safety reasons. According to Gary Briggs, President of Ascend, the

sale is expected to close in September 2011, pending approval of the assignment and assumption by City Council and completion of a financing package.

Ascend has engaged in discussions with the existing tenants regarding the execution of new lease agreements. There has been concern regarding increased annual lease rates and provisions, and Gary Briggs has attended two recent tenant meetings in an attempt to address these concerns. He noted that his lease provisions are almost identical to former lease agreements, and he has agreed to postpone a rental increase for 12 months. In CY 2012, he expects renovation work to commence, and he plans to adjust annual lease rates to market rates for the San Francisco Bay area. He has stated a desire to retain the existing tenants, but he has also indicated receiving interest in the hangars from other prospective tenants at market rate.

Since June 1, 2011, Ascend has been engaged in negotiations with staff regarding an amendment of the Epic lease as a condition of City approval of the sale, similar to what occurred in the recent assumption of the Atlantic Leasehold by APP. In addition Mr. Briggs has requested certain modifications that he believes are needed for his financing. These negotiations are still ongoing but a few items have been agreed upon and are noted below:

- Staff has proposed, in lieu of removing the fueling provisions under the lease, a requirement that compliance with airport minimum standards for fixed base operators must be met if Ascend wanted, in the future, to exercise the fueling provisions of the lease.
- Staff has agreed to remove the obligation to install a self-service fuel station contained in the Epic lease, as APP Jet Center has agreed to construct such a facility on its leasehold.
- Mr. Briggs has requested some form of first right to negotiate for additional parcels that become available on the North side of the airport, which staff is considering.
- Mr. Briggs has requested removal of calendar date deadlines for further development of the parcels, which is still under consideration but needs refinement.
- A related item to the construction deadlines is the merger of Parcels B and C in the lease, which also is being considered.

There are still additional steps necessary in the negotiations, however, since there are issues related to the maintenance on the leasehold and potential rates, this report summarizes the background. Also, the tentative sale schedule would require approval of the lease assumption by City Council prior to the next Committee meeting.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Robert A. Bauman, Director of Public Works

Approved by:



Fran David, City Manager

Attachments: None



DATE: July 28, 2011
TO: Council Airport Committee
FROM: Robert A. Bauman, Director of Public Works
SUBJECT: Informational Update on the Hayward Hangars, LLC New Hangar Construction Project

RECOMMENDATION

That the Committee accepts this report as information only; no action is necessary.

BACKGROUND

In a commercial site lease dated July 1, 2006, the City granted Hayward Hangars, LLC a five year period, until June 30, 2011, to complete construction of a proposed new hangar construction project; this date was later amended to January 1, 2012. Although construction drawings were prepared and master building permits were issued, little progress has been made on the project to date, and the hanger permits technically expired in June 2011. In addition, the condition of the existing leasehold has been allowed to deteriorate over time. The City requested a meeting on June 15, 2011 to address these issues.

Hayward Hangars, LLC requested a number of concessions from the City, including an extension of time to complete the project. In a letter dated August 12, 2010, the Airport manager informed James Altschul, President of Hayward Hangars, LLC, that the company was in non-compliance with construction requirements and that an extension of time to complete the project would not be granted. Despite this, there was no apparent effort to jumpstart the project and the building permits effectively expired on June 20, 2011.

Since then, there has been an exchange of correspondence, additional meetings, and Hayward Hangars, LLC has resolved the maintenance issues to comply with its contractual obligations. Hayward Hangars has expressed a strong desire to move forward with the hangar construction project, but the City has made no decision regarding an extension of time and other concessions requested by the company.

DISCUSSION

During the five year construction period, Hayward Hangars, LLC allowed the condition of the leasehold to deteriorate. Loose pavement on the aircraft parking apron presented a safety hazard,

unauthorized electrical modifications were made to the existing hangar, landscaping was neglected, and, despite repeated requests, a dumpster area remained unenclosed. There were other issues, including the on-site storage of a construction trailer, storage containers and a large semi-trailer, that were not used for aviation purposes. A subtenant was also cited for security violations and failure to provide proper commercial insurance. These ongoing issues violated Section 6.01 of the site lease requiring the leasehold to be maintained in a safe and clean condition consistent with the highest business practices and demonstrated an apparent difficulty in the company's ability to manage the leasehold.

At a meeting on June 15, 2011, Mr. Altschul informed the Airport Manager that, for the new hangar construction project to be financially viable, the City must accept changes to the approved design, including deletion of exterior trim, relocation of a fire loop, deletion of a free-standing lavatory building (moved inside existing hangar), and modifications to the storm drain plan. There was discussion regarding a pavement elevation discrepancy with the adjacent leasehold that is unresolved, and Mr. Altschul requested an abatement of ground rent during the entire period of construction. Mr. Altschul further disclosed that a financial package for the project is not yet in place.

Since June 15th, Hayward Hangars, LLC has satisfactorily completed the following improvements to the leasehold to address the maintenance concerns raised by the City:

- Unauthorized electrical cables have been disconnected
- A Conex storage box was painted
- Temporary repairs have been made to an asphalt aircraft parking apron
- An open vehicle access gate has been secured
- A cinder block wall has been completed
- Landscaping issues have been resolved

In addition, hangars' keepers liability insurance has been secured and additional sets of construction drawings have been delivered.

In a letter to the City dated June 21, 2011 (See Attachment I), Hayward Hangars, LLC outlined a number of requests it contends are necessary to allow it to undertake the new hangar construction project (followed by staff's response), including:

- Extend the time of performance in Section 2.01 (d) of the existing Construction Agreement to October 1, 2012. Potentially acceptable.
- Modify Section 1.07 of the Site Lease to provide extension of the lease term to December 31, 2037, upon the granting of a certificate of occupancy for one of the two planned hangar buildings, and then further extended until December 31, 2048 following full construction. Potentially acceptable.
- Allow a change in the approved construction plans to delete Mansard Facade on the two planned hangar buildings. Not acceptable as being inconsistent with all other hangars.
- Pave an adjacent pavement easement by the City or others, due to a discrepancy in elevation. Potentially acceptable.

- Eliminate a restroom facility attached to the existing hanger building in the approved plans. Restrooms would instead be located in the existing hangar building. Not acceptable because restrooms inside the existing old hanger would not meet the need for availability during all times that the new hangers might be utilized and the large hanger is not open. The outside location also allows ADA requirements to be met and was a compromise from the original lease condition to use one of the small hangers for a lounge and restroom.
- Modify a fire loop approved in the original plans that includes part of adjacent leasehold. Potentially acceptable.
- Modify the size of the sewer line required. Potentially acceptable.
- Grant permission to abandon an existing storm drain line in place. The approved plans require removal of the line. Potentially acceptable.
- Modify the type of storm drain required in the approved design. Potentially acceptable.
- Delete sewer and water lines to the larger proposed hangar building. Potentially acceptable.

These issues will require further staff discussion to reach a conclusion. Initially, staff was very reluctant to recommend any lease amendments because of the poor performance in maintaining the existing facilities and in being responsive to very simple issues. Staff has informed Hayward Hangers regarding the City staff's position on the requests but has not yet decided its recommendation to City Council on the required lease amendments. Consideration must be given to the performance of Hayward Hangars, LLC, to date, and the potential benefit to the City in granting these requests. The earliest any consideration of a lease amendment could be made by Council would be in September, which leaves additional time to consider ongoing performance.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Robert A. Bauman, Director of Public Works

Approved by:



Fran David, City Manager

Attachments:

Attachment I: June 21, 2011 letter

HAYWARD HANGARS, LLC
230 Park Avenue, Suite 1000
New York, N.Y. 10169
Telephone: (212) 370-1880
Facsimile: (212) 808-6553
Email: jaltschul@aviationadvisory.net

James S. Altschul
President

June 21, 2011

Dr. Robert A. Bauman
Director of Public Works
Mr. Doug McNeeley
Airport Manager
Hayward Executive Airport
Department of Public Works
City of Hayward
Hayward, CA 94541

Gentlemen:

I am most grateful to Doug and Brendan for taking the time last Wednesday to discuss our plans and objectives for hangar development at Hayward and to explain the concerns on your end.

As I mentioned in our meeting, my colleagues at Hayward Hangars and I greatly regret that we have not yet completed the construction of the airplane hangar project on our site. We remain committed to developing this project, and we're more enthusiastic than ever about the potential for hangar development at Hayward as a result of the strong response we received to the mailing of flyers to 4,000 registered aircraft owners in the Bay Area earlier this year. When we obtained our first bid for construction of the project based on the plans for which we had received permits, in the spring of 2008, we were concerned that we would not be able to generate an acceptable return for our investors based on the cost to complete reflected in this bid. Then, after the financial crisis erupted in the fall of 2008, we were doubtful that we could obtain a bank loan or raise significant external equity financing. David Flory, the general contractor with whom we have been working for several years, has made an extraordinary effort to identify cost savings in every aspect of the project. We have had encouraging conversations with a bank that has considerable experience in financing hangar projects and with equity investors. We are eager to break ground this fall and complete both buildings next year.

Pursuant to Doug's recommendation, I am writing you to summarize a list of requests that we are respectfully making of the City of Hayward in connection with the development of this project. We are asking for these changes because we believe that they will enable us to achieve meaningful cost savings without compromising in any way airport or facility safety or the appearance of the project. The need for a few of these modifications has arisen because at the time the site plan was approved and the original parameters were set, both we and the City anticipated that construction of both our development and a project on what is now referred to as the Ascend/Epic site would take place more or less simultaneously. We have not been informed of any plans to begin construction on the Ascend/ Epic site, and we are not in a position to pay for any work on or relating to this site, even if we might get reimbursed for these expenses at some point in the future.

I am dividing the list into two categories. The first set comprises items that I believe fall under your purview. We understand that the requests in the second set need to be addressed to the Fire Engineer and/or the Buildings Department, but we wanted to keep you apprised of what we will be asking.

I. Requests for the Public Works Department

A. Extension of Deadline for Completion in Construction Agreement

I believe that we have met the deadlines set out in Sections 2.01 (a) and (b) in the Construction Agreement which comprises Exhibit "C" of the Commercial Aviation Site Lease we entered into as of June 27, 2006. We understand that the deadline for completion of the construction of the hangar project, as set out in Section 2.01 (c) of said Construction Agreement, is January 1, 2012, because the Construction Date (as defined in said Site Lease) was set at January 1, 2007 in a letter to me from Brent Shiner dated November 14, 2006. Section 2.01 (d) allows the City to grant an extension in the Time of Performance for a period not to exceed one (1) year if we have not completed the Project Improvements by the original deadline but are making satisfactory progress towards the development of the Project Improvements.

We have every intention of commencing construction of the hangar buildings this fall. (We expect to complete construction of the trash enclosure, which is the subject of one of the four building permits we have obtained, in the next few weeks.) The start date of construction will be affected primarily by (i) the closing date of the construction loan for the project and (ii) whether we can obtain consent of the construction lender to commence site work before the loan is finalized. But regardless of whether we break ground in September or October, we cannot realistically expect to complete the entire project by January 1, 2012. We anticipate that if we begin the site work in the fall, Building B would be completed during the first quarter. We would then begin construction of Building A. The bank with which we have had discussions strongly recommended that we put up the buildings sequentially, an approach which will also make the lease-up a little easier.

(Since we intend to commence the construction of Building A promptly following the completion of Building B, I'm not sure whether this approach would constitute "construct[ion] in phases" as referred to in Section 1.04 of the Construction Agreement. If you or the City Attorney believe that our intentions might be deemed to be "construction in phases," we will also request an amendment to said Section 1.04.)

We will not be able to obtain either bank financing or equity from investors unless we can provide assurances that the new Site Lease will come into effect when the buildings are completed. Therefore, we request that Section 2.01 (d) of the Construction Agreement be amended to read that the Time of Performance shall be extended until October 1, 2012 upon the achievement of all of the following benchmarks:

1. Execution of a binding construction agreement for the project with a licensed general contractor;
2. Execution of a binding agreement for a construction loan for the project, and
3. Demonstration of sustained construction activity on the site with regard to the construction of the hangar buildings.

We believe that the achievement of these benchmarks will provide tangible evidence to the City of our ability and commitment to complete the hangar project.

We also request that the Time of Performance with regard to completion of Building A be further extended in the event that we do not receive a reasonable assurance by April 2, 2012 that the paving of the easement area requested in C. below will not be completed on or before October 1, 2012. We will not be able to rent the six units in Building A which face the Ascend/Epic site unless the easement area has been paved, and we would be reluctant to commit the funds needed to complete this building if we had grounds for concern that we would not be able to rent half the units in it when the building was ready for occupancy.

In addition, we request that Section 1.07 of the Site Lease be amended to provide that the Lease Term will automatically be extended to December 31, 2037 upon the granting of a Certificate of Occupancy for one hangar building on the site, and then further automatically extended to December 31, 2048 (plus any Extension Options per Section 1.08) following full compliance by Lessee. We are making this request because, as mentioned above, we are planning to complete the buildings sequentially. As soon as a Certificate of Occupancy has been granted for one building, we (and our bank) would like to replace the portion of the construction loan allocated to that building with a term loan, and it will be necessary to have an extension of the term of the Site Lease in place in order to do so. I had discussions about the possibility of such a partial extension with Lloyd Partin.

B. Waiver of Requirement to Incorporate Mansard Façade on the Two Hangar Buildings.

We are mindful that all of the hangar buildings completed on the airport in recent years have this type of façade, and that it does provide an aesthetic benefit. But David Flory has estimated that waiving this requirement would enable us to save in excess of \$50,000, and the hangars would still have a first-class appearance.

C. Paving of Easement Area on Ascend/Epic site

In our Site Lease, we are granted an easement on the Ascend/Epic site to enable the tenants in the six units in Building A which face the Ascend/Epic site to taxi onto the runway. As I mentioned above, at the time the City granted us this easement, we and the City assumed that the City would be building a hangar project on this site at more or less the same time as we would be putting up our hangars, and therefore that the easement area would be paved by the time Building A was ready for occupancy.

We have not been informed of any plans to begin construction on this site, and we are not in a position to fund the paving work on the easement area, even if we were to be reimbursed for this expense at some indefinite point in the future. If the easement area is not paved by the time Building A has been completed, we will not be able to rent any of the six units facing the Ascend/Epic site. If we are not able to rent these units, Building A will not be financially viable. Therefore, we respectfully request that the City commit to arranging for the completion of the necessary paving work on the easement area by the time Building A is ready for occupancy. (We can talk in further detail about an appropriate procedure for setting a reasonable deadline and giving the City sufficient advance notice of our needs.)

D. CATEX

Please let us know whether we will still need to have a CATEX evaluation completed, and if so, what the costs will be and whether the City will be able to cover part of these costs. (I recall a telephone conversation with Bob in the fall of 2007 in which he indicated that the City would be able to pay for part of the expense.)

II. Requests to Be Submitted to Other City Agencies

We intend to submit the following requests for modifications to the appropriate City departments, which we understand will be either the Buildings Department or the Fire Engineer:

- A. Place the rest rooms inside of Building 23, instead of the construction of a free-standing structure to house them, as is currently called for in the plans.
- B. Elimination of all work relating to a fire line for the Ascend/Epic site.

- C. Change in the type of pipe for the fire line on our site.
- D. Abandon the existing storm line in place, plug each end, and remove catch basins. (As the plans currently stand, we are required to dig up the existing storm line.)
- E. Change in the type of pipe for the new storm drain we will be installing.
- F. Delete provision of sewer line to Building A.

Please let me know if you have questions about any of these items.

My colleagues and I would like to express our tremendous appreciation to you for the support, cooperation and patience you have given us. We're looking forward to bringing our hangar project to fruition.

Sincerely,

James S. Altschul
President

Cc: Ms. Fran David
Ms. Barbara Halliday
Mr. Olden Henson
Mr. Bill Quirk
Mr. David Rizk