



CITY OF
HAYWARD
HEART OF THE BAY

COUNCIL AIRPORT COMMITTEE

JANUARY 24, 2013

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CITY COUNCIL AIRPORT COMMITTEE MEETING
Thursday, January 24, 2013
Conference Room 2A
5:30 PM

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS: *(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.)*

1. Summary of Minutes for October 25, 2012
[Minutes](#)
2. Designation of Airport Runways
[Staff Report](#)
3. Aviation-Related Educational Opportunities at the Airport
[Staff Report](#)
4. Status of the Ground Lease for Phase I with Hayward Airport Development, LLC
[Staff Report](#)
[Attachment I](#)
[Attachment II](#)
[Attachment III](#)
5. Committee Members and Staff Announcements, Referrals
6. Future Agenda Items

ADJOURNMENT

NEXT REGULAR MEETING – 5:30 PM, APRIL 25, 2013

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. All Council Meetings are broadcast simultaneously on the website and on Cable Channel 15, KHRT. ****

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777 B STREET, HAYWARD, CA 94541
HTTP://WWW.HAYWARD-CA.GOV



DATE: January 24, 2013
TO: Council Airport Committee
FROM: Morad Fakhrai, Director of Public Works - Engineering & Transportation
SUBJECT: Summary Minutes for October 25, 2012

CALL MEETING TO ORDER

Council Member Halliday called the meeting to order at 5:40 p.m. with Council Member Zermeño and Council Member Jones present.

City staff: Morad Fakhrai, Director of Public Works - Engineering & Transportation
Doug McNeeley, Airport Manager
Courtney Meredith, Airport Noise Abatement Analyst
Debbie Summers, Airport Senior Secretary
Amy Toste, Airport Secretary
Joe Brick, Deputy City Attorney

Members of the public present:

Gary Briggs	Robert Coutches	Dan Law
Scott Briggs	Ben L. Henderson	
Paul Buenrostro	Phil Johnson	

PUBLIC COMMENTS:

None

1. Election of Chair

Council Member Jones nominated Council Member Halliday to serve as Chair. Council Member Zermeño seconded the motion. The motion passed unanimously.

2. Summary Minutes for April 26, 2012

Approved as submitted.

3. Status of the Ground Lease for Phase 1 with Hayward Airport Development, LLC

Airport Manager Doug McNeeley presented an overview of this item and noted there have been significant changes in the last several months regarding development of the former California Air National Guard (CANG) site by Hayward Airport Development (HAD). It was discovered in July 2012 that there was no written partnership agreement between the principals, including Devcon Construction, Presidio Development, and SP Aviation. In addition, the outcome of negotiations was in doubt.

APP Jet Center informed staff in mid-July that they gave SP Aviation, their sub-tenant, notice to vacate the hangar and office space they were renting at Hayward Executive Airport by September 1, 2012. In an attempt to keep SP Aviation at Hayward, staff immediately identified alternative hangar and office space. However, SP Aviation rejected these options because it would place their administrative office and maintenance operations at different locations on the airport. At the request of SP Aviation, staff met with Hayward Fire Department and Development Services staff to determine if the CANG hangar could be occupied temporarily before renovation work began on the hangar. However, SP Aviation abruptly withdrew their request and subsequently relocated their office, maintenance shop and eight jet aircraft to Oakland International Airport in late August. Staff was initially told that this move was temporary; however, all indications are that it is permanent.

With the departure of SP Aviation, the remaining HAD partners are conducting a review of the entire project. This includes the cost of renovating the large aircraft hangar and the ongoing maintenance cost. The decision to proceed or withdraw is expected before November 1, 2012.

Council Member Zermeño asked where the Tuskegee Airmen Museum would be located. Mr. McNeeley responded that the planned location is in a 2,000 square foot office in the CANG hangar. Council Member Zermeño then asked if we really expected to have a final decision by November 1, 2012. Mr. McNeeley replied yes, that he is in frequent contact with the remaining partners of HAD and time was of the essence.

Council Member Halliday requested clarification on the remaining partners. Mr. McNeeley responded that they are Presidio Development, a real estate development and management company located in San Francisco, and Devcon Construction, a large construction company located in Milpitas. Mr. Fakhrai added that staff is waiting to see if the two remaining partners want to proceed with the same proposal or reevaluate it. Staff would bring the matter back to the Committee if the remaining partners decide to proceed.

Council Member Jones said that it seemed to him that HAD, which originally consisted of three partners, does not exist anymore because one of the partners withdrew, and therefore the City has no agreement right now. Mr. McNeeley stated that two of the original partners are still involved and it is their viewpoint that they can perform according to the terms of their written proposal. However, the loss of the aircraft operated by SP Aviation could affect the financial viability of the project. He added that Devcon operates one jet aircraft and two helicopters, and company officials are familiar with other operators in the area and they may be able to convince them to relocate aircraft to Hayward from other area airports.

Council Member Jones asked if the City would issue an RFP. Mr. McNeeley responded that the City had already issued an RFP and accepted HAD as the most responsive and responsible bidder. Council Member Jones then inquired about HAD's legal status. Mr. Fakhrai replied that if staff decides to move forward, an evaluation would be needed to determine if the two remaining partners still represent HAD. Mr. Fakhrai stated that staff might have to bring this item back to Council and get a new approval or a new RFP.

Council Member Halliday asked about the available options in the event that HAD does not move forward. Mr. McNeeley replied that staff would reissue an RFP but timing is a key issue. Environmental work must be completed on the site and ideally, the sluggish economy should improve before moving forward.

Council Member Halliday noted that the National Guard is obligated to complete environmental work, releasing the City and private developers of the CANG site from the cost of cleanup. Mr. McNeeley confirmed this, and noted that extensive work will be required to remediate the site followed by the installation of monitoring wells. The remediation work will take approximately six months to complete, followed by the monitoring of site conditions for several years.

Council Member Jones stated that it is important to work with the City's Economic Development Committee in identifying key opportunity sites to jumpstart commercial, retail, and industrial development. This might represent an opportunity to determine how the CANG site might complement the City's larger economic development strategy in the event HAD does not move forward. Mr. Fakhrai replied that staff have been in contact with Development Services Director David Rizk in designating CANG as an Opportunity Site. However, it is important to note that by accepting FAA grants, the City must comply with FAA regulations, which place restrictions on how the site may be developed.

PUBLIC COMMENTS

None

4. FAA Categorization of General Aviation Airports

Mr. McNeeley provided an overview of a FAA report that creates new designations for general aviation airports, and that Hayward was just one of 84 airports designated as a "National" airport. Mr. McNeeley outlined the criteria for this designation, including the number of non-stop domestic and international flights to and from the Airport. He noted that a significant number of long distance trips, including nonstop flights to Finland and Japan, originated at the Airport in 2011. He stated that members of the community would probably be surprised to know that such long distance trips operate from Hayward Executive Airport.

Council Member Zermeño inquired why Hayward is not designated as an International Airport if we have flights going to destinations outside the United States. Mr. McNeeley said that Hayward is not designated as an "Airport of Arrival" for incoming flights because customs service is not provided at the Airport. Council Member Zermeño then asked if this service could be provided, and Mr. McNeeley replied that he would look into it.

Mr. McNeeley went on to state that the creation of these new airport categories might provide some financial benefits for our airport. The FAA may recommend changes to Congress in the apportionment of grants to general aviation airports, including additional funding for “National” airports such as Hayward.

Mr. McNeeley stated that the FAA could ultimately require “National” general aviation airports to obtain a full or modified Part 139 operating certificate. Council Member Jones stated that the implementation of FAA Part 139 operating regulations at Hayward could incur additional costs. Mr. McNeeley agreed and added that he has experience managing a Part 139 airport and does not support Part 139 at Hayward due in part to the administrative burden it would create, including the implementation of SMS. He also noted that during his tenure he has already implemented many of the best operating practices of Part 139, so there would be little practical benefit.

In response to a question from Council Member Halliday, Mr. McNeeley indicated that SMS stands for “Safety Management System.” SMS attempts to identify and mitigate operational problems before they occur, and SMS is a requirement of an FAA Part 139 operating certificate.

PUBLIC COMMENTS

Mr. Briggs made a comment about international arrivals and said the availability of customs service would be an enhancement for the commercial service providers at Hayward. He said that he would be happy to assist in the effort to secure customs service. He noted that fixed base operators and others at Hayward that service corporate jet aircraft often compete with businesses at other Bay Area airports, especially at Oakland, and customs service is sometimes a point of contention because arriving international flights must first land at Oakland or some other designated Airport of Arrival before proceeding to Hayward.

Council Member Halliday thought it was beneficial that Hayward is now one of the 84 “National” general aviation airports.

5. Airport Holiday Celebration

Mr. McNeeley stated that this event is scheduled for December 5, from 4:00 to 6:00 p.m. at the Airport Maintenance shop. Staff cordially invites our airport tenants and friends to attend.

PUBLIC COMMENTS

6. Future Agenda Items

- Look into offering mechanic and pilot training classes in conjunction with Chabot College
- Discuss the requirement to re-designate Hayward’s runways due to magnetic variation

Council member Holiday asked that a standing item be added to the agenda for committee member’s announcements and comments.

ADJOURNMENT

The meeting adjourned at 6:30 p.m.

DATE: January 24, 2013
TO: Council Airport Committee Members
FROM: Director of Public Works - Engineering and Transportation
SUBJECT: Designation of Airport Runways

RECOMMENDATION

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

BACKGROUND

During the Council Airport Committee (CAC) meeting of October 25, 2012, Council Member Halliday directed staff to provide information at the next meeting regarding the effect of magnetic variation on airports, and specifically how this phenomenon may necessitate a change in the numeric designation of the four runways at Hayward Executive Airport.

DISCUSSION

The earth has a magnetic field that is detected by the magnetic compass in each aircraft. This magnetic field is not perfectly symmetrical, and as a result, the earth's magnetic and geographic poles are not aligned. The difference in location between the geographic and magnetic poles is expressed as magnetic variation. The magnetic field also drifts, causing magnetic variation to change over time. Currently, the magnetic north pole is located in the Arctic Ocean and is drifting north-northwest toward Siberia at about 34 miles per year.

The Federal Aviation Administration (FAA) evaluates the shift in the magnetic poles every five years and makes changes to flight procedures as necessary. If there is a change of more than three degrees at any given airport within the United States, the runways must be renumbered.

Hayward's runways are currently designated as Runway 28L, 28R, 10L, and 10R. The numbers indicate the approximate magnetic heading of each runway. The number 28, for example, indicates the runway is most closely aligned with 280 degrees of a 360 degree compass.

Operations Specialists at the FAA Northwest Mountain Regional Office, Western Service Center, indicate that Hayward's runways must be renumbered based on their most recent evaluation. The airport's runways will be renumbered as Runway 29L, 29R, 11L, and 11R. The scope of the project will include new pavement markings, airport directional signs, and revisions to all instrument approach and departure procedures currently in effect.

While the work outlined above should ideally be accomplished within an eighteen-month period, the process is driven by the availability of FAA AIP funding. Due to Runway Safety Area projects currently underway at San Francisco International Airport, Oakland International Airport, and San Jose International Airport, funding over the next two fiscal years is expected to be limited for new projects at general aviation airports such as Hayward. Staff has requested clarification from the FAA San Francisco Airports District Office and will report back to the CAC once a project schedule can be determined. Our FAA contact has confirmed this is not a critical issue and it is common practice for a delay to occur in the marking of new runway numbers at General Aviation airports.

FISCAL IMPACT

Until a final, detailed scope of work is established and bids for the project are received, staff is unable to estimate the fiscal impact. However, under FAA AIP guidelines, the FAA will reimburse the City for 90 percent of the total eligible cost.

PUBLIC CONTACT

Information regarding the project, including runway closures and other restrictions, will be disseminated to pilots and the public through the Airport's printed newsletter, flyers posted throughout the Airport, on the Airport's Facebook page, informational meetings, letters, and Notices to Airmen (i.e., notices to pilots).

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

DATE: January 24, 2013
TO: Council Airport Committee Members
FROM: Director of Public Works - Engineering and Transportation
SUBJECT: Aviation-Related Educational Opportunities at the Airport

RECOMMENDATION

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

BACKGROUND

At the October 25, 2012 Council Airport Committee (CAC) meeting, Council Member Zermeño requested that staff research future aviation-related educational opportunities at the Airport; more specifically, to investigate the feasibility of a cooperative venture between Chabot College and a service company at Hayward Executive Airport (HWD) to provide a course of study for aircraft pilots or maintenance technicians.

DISCUSSION

According to a recent study, approximately 3,800 pilots will be needed per year due to an expected wave of retirements in the near future as well as airlines taking delivery of new commercial airliners worldwide. Likewise, the demand for aircraft maintenance technicians will also increase; some estimates indicate as many as 5,100 technicians will be needed per year. Such statistics would clearly indicate a clear need for future educational opportunities in aviation. However, other studies have expressed a less optimistic forecast for the expected number of pilots and aircraft maintenance technicians needed within the industry. Outsourcing, combined with the thousands of experienced pilots and maintenance technicians that were furloughed during the economic recession that are available for rehire, have been cited as potential impediments to aviation job growth. In addition, the flight training industry is currently struggling due to a dramatic drop in the number of new customers as well as the demand for new commercial pilots. Such divergent views pertaining to the future of aviation-related employment opportunities affects the viability of any future training ventures at HWD.

Currently, there are no aircraft maintenance training schools located in Hayward. Three schools are operating in the San Francisco Bay Area, including Aviation Institute of Maintenance in Oakland, College of Alameda, and City College of San Francisco. While Aviation Institute of Maintenance is a national company with multiple locations, they have partnered with a community college to provide a course of study and expressed interest in discussing a partnership with Chabot College from their location in Oakland.

Six active flight schools are operating at HWD, including ATP, California Airways, Five Rivers Flight Training, Flying Vikings, Hayward Flight, and Vertical CFI Helicopters. All of them have indicated that, depending on the specific details, they are interested in discussing a partnership with Chabot College to provide flight training. Staff will contact administrators at Chabot College to determine their interest in exploring this opportunity. Staff can assist in facilitating an initial meeting between based commercial tenants and the college.

FISCAL IMPACT

Increased flight training at HWD would presumably result in additional fuel sales and routine aircraft maintenance inspections, boosting revenue for based commercial tenants. Heavy demand could also result in a need for additional flight instructors and administrative personnel, increasing employment in the community. However, until the nature of a cooperative venture with Chabot College is clearly defined and a business plan is developed, the fiscal impact cannot be projected.

PUBLIC CONTACT

Once Chabot College decides to further explore a partnership with service companies at the Airport, staff will communicate this opportunity to the public through various media sources (i.e. Facebook, Twitter, etc.) and help facilitate meetings between college administrators and based tenants.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

DATE: January 24, 2013

TO: Council Airport Committee Members

FROM: Director of Public Works - Engineering and Transportation

SUBJECT: Status of the Ground Lease for Phase I with Hayward Airport Development, LLC

RECOMMENDATION

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

BACKGROUND

On October 18, 2011, Council adopted a resolution authorizing the City Manager to negotiate and execute Supplemental Agreement No. 10, which returns twenty-four acres of a 27.18 acre site leased to the California Air National Guard (CANG) to the City (Attachment I). On January 24, 2012, the Council adopted a resolution authorizing the City Manager to negotiate and execute a ground lease for Phase I and an option agreement with a master lease for Phases I – V with Hayward Airport Development, LLC (HAD). A copy of the staff report summarizing the background and discussion prior to this approval is attached (Attachment II). On May 23, 2012, staff was informed that Congressional approval had been received to return the CANG site to the City. The purpose of this report is to outline subsequent developments regarding the CANG site.

DISCUSSION

During the CAC meeting of October 25, 2012, staff outlined recent difficulties that arose between the partners comprising HAD (Attachment III). In essence, the three partners were unable to negotiate a satisfactory written partnership agreement and this resulted in the decision of one of the partners, SP Aviation, to relocate their Part 135 aircraft charter and management company to Oakland International Airport in late August 2012. This relocation meant the loss of a potential equity partner as well as a major tenant, and as a result, the future of the project was cast into doubt.

Staff continued to work with HAD as they evaluated their options. In September 2012, staff helped HAD subcontractors, including assisting them with site visits on several occasions, to help determine the minimum current investment required to renovate the existing CANG hangar and complete Phase I. HAD also conducted market research to determine the level of interest turbine aircraft operators may have in relocating to Hayward from other Bay Area airports. In early November 2012, staff was informed that HAD concluded the project was not financially feasible at

the present time and they were withdrawing their proposal for the construction of hangars in Phases I – IV. HAD indicated possible future interest in constructing retail as originally proposed for Phase V as a stand-alone project.

The City has the option to immediately reissue a Request for Proposals (RFP) for the CANG site, but current national economic conditions and the need for the completion of environmental work suggests the timing of an RFP must be carefully evaluated. Hayward Executive Airport is unique among general aviation airports in the Bay Area in that it has a twenty-four-acre tract of land available for development, and staff is enthusiastic about the ultimate potential of the site. However, work will begin in the summer to mediate on-site environmental conditions. Given the disruption to site access this work will cause and the improving economy, staff recommends deferral of further consideration of an RFP at least until the on-site environmental work is well underway and staff reassesses the market for this type of potential development.

FISCAL IMPACT

The fiscal impact of the HAD project is addressed in the staff report dated January 24, 2012 (Attachment II).

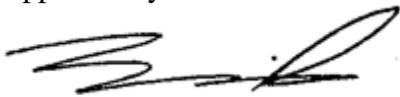
PUBLIC CONTACT

Staff advertised the original RFP for development of the CANG site on April 15, 2009 in accordance with normal and customary procedures. The Council Airport Committee (CAC) selected HAD on July 23, 2009. Staff provided additional updates to the CAC on July 22, 2010, March 7, 2011, and October 27, 2011.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: City Council Oct 18, 2011 Agenda Report
- Attachment II: City Council Jan 24, 2012 Agenda Report
- Attachment III: Council Airport Committee Oct 25, 2012 Agenda Report



DATE: October 18, 2011

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Resolution Authorizing the City Manager to Negotiate and Execute a Lease Amendment and a Right-of-Entry with the United States of America for a Parcel of Land at the Hayward Airport Property

RECOMMENDATION

That Council adopts the attached resolution (Attachment I) authorizing the City Manager to negotiate and execute Supplemental Agreement No. 10 to Lease No. WO4-203-ENG-3368, and negotiate and execute a right-of-entry with the United States Government.

BACKGROUND

The City of Hayward currently leases approximately twenty-seven acres of land to the United States Government for use of the property and buildings by the California Air National Guard (CAANG) and the United States Air Force. The U.S. Department of the Army Corps of Engineers – Sacramento District office administers the lease. The agencies entered into the lease in 1949, and the lease officially expires on June 30, 2014. Since 1949, there have been nine amendments to the lease for a variety of purposes primarily concerning different uses of the property. Most of the twenty-four acre CA ANG site has remained unused since 2008; however, the Army National Guard presently occupies a three acre portion of the overall site and will continue to do so.

In February 2009, Airport staff met with the representatives from the CAANG and their environmental consultants to identify a timeline for the return of the property to the City of Hayward. Formulating a timeline was a difficult task given the complexity of the process to identify and categorize the site impacts and formulate a plan to mitigate the effects of site contamination as required by Federal and state environmental regulators. In March 2010, the Air National Guard concluded a third environmental assessment report and on June 24, 2010, the National Guard Bureau agreed in writing to return twenty-four acres of the twenty-seven acre site (less 3 acres of land the Army National Guard will retain) to the City and to accept full responsibility for cleanup of the former defense site (see Attachment III).

The CAANG now anticipates a site closure report by 2015. While the twenty-four acres are being returned to the City, a right-of-entry for an estimated four-year period is necessary to allow the CAANG to complete the required site remediation work (Attachment IV).

DISCUSSION

In 2009, in anticipation of the CAANG site being available for reuse, Airport staff issued a Request For Proposals (RFP) and selected Hayward Airport Development LLC as the proponent to redevelop the site; staff reviewed this selection with the Council's Airport Committee (CAC) at that time. However, progress on entering into a lease has been slowed by the CAANG's need to investigate and remediate soil contamination adjacent to the large CAANG hangar. As noted in a July 22, 2010 informational update to the CAC, staff presently anticipates the redevelopment of the CAANG site by Hayward Airport Development LLC to occur in phases. The initial phase will only include the existing large hangar because much of the rest of the site will need to be available for cleanup activities that, as noted above, may take four additional years to complete.

The approval of this lease amendment and transfer of possession of the property back to the City will allow Phase I development of the property to proceed. Phase I will include renovation of the former CAANG hangar and the immediate ramp area, including the installation of a fire suppression system. It should be noted that, as part of the Phase I development, Hayward Airport Development LLC has agreed to provide space for a proposed Tuskegee Airmen Museum.

ECONOMIC IMPACT

Overall economic impact of Phase I development will be minimal. However, future phases of the development will involve the construction of additional hangar buildings and several small commercial buildings along the West Winton Avenue frontage. These later phases will take at least five years to develop and, as with other development at the airport, will likely generate some additional unsecured property tax for the General Fund in addition to lease revenue for the Airport.

FISCAL IMPACT

The existing CAANG lease agreement between the Federal government and the City of Hayward provides the space in exchange for one dollar per year. The approval of this amendment to the lease and the subsequent transfer of possession of the property will allow Hayward Airport Development LLC to develop the site and provide additional ground lease revenue to the Airport.

PUBLIC CONTACT

This action is consistent with the information provided at past CAC updates regarding the redevelopment of the site and last year's approved rezoning action by Council, which is also consistent with the planned redevelopment of the site. The CAANG has and will continue to provide public information regarding their analysis and clean up plans.

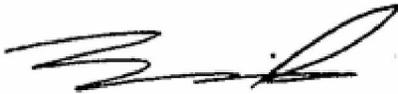
NEXT STEPS

Upon City's approval of the lease amendment and subsequent execution by the Air Force and the Corps of Engineers, staff will complete negotiations with Hayward Airport Development LLC and return to Council for approval of the Phase I lease for the available portion of the CAANG site. Staff anticipates that this action should occur within the next two months.

Prepared by: Douglas McNeeley, Airport Manager

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

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: Resolution
- Attachment II: Supplemental Lease Agreement
- Attachment III: National Guard Bureau June 24, 2010 letter
- Attachment IV: Right-of-Entry

HAYWARD CITY COUNCIL

RESOLUTION NO. 11-_____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A LEASE AMENDMENT WITH THE UNITED STATES OF AMERICA TO RETURN A 24.0 ACRE PARCEL OF LAND TO THE CITY OF HAYWARD AND A RIGHT-OF-ENTRY

WHEREAS, the City of Hayward has entered into a lease No. W04-203-ENG-3368 with the United States of America for the operations of the California Air National Guard on the Hayward Executive Airport; and

WHEREAS, the federal government has ceased operations on a portion of the leased property and wishes to transfer possession of a 24.0 acre parcel to the City of Hayward; and

WHEREAS, the California Air National Guard has accepted responsibility to complete cleanup of the site and will require access to do so; and

WHEREAS, the California Air National Guard requires a Right-of-Entry to enter upon the 24.0 acre site for a period of forty-eight (48) months in order to complete environmental remediation activities.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that, the City Manager is authorized to negotiate and execute lease amendment No. 10 with the United States of America for the transfer of possession of said property to the City of Hayward and to negotiate and execute a right of entry agreement so that site cleanup work can continue to completion in a form to be approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2011

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

DEPARTMENT OF THE AIR FORCE
SUPPLEMENTAL AGREEMENT NO. 10
to
LEASE NO. W04-203-ENG-3368
between
THE UNITED STATES OF AMERICA
and
CITY OF HAYWARD, CALIFORNIA

WITNESSETH:

WHEREAS, The City of Hayward, A Municipal Corporation of the State of California, whose address is 777 B Street, Hayward, California 94541, hereinafter called the Lessor granted to the United States of America, hereinafter called the Government a lease for 26.51 acres, more or less, of land located in the County of Alameda, State of California being a portion of Hayward Municipal Airport (also known as Hayward Executive Airport), commencing on 24 February 1949 and terminating 30 June 1974 for State of California National Guard use; and

WHEREAS, Supplemental Agreement No. 1 added a right of way to support construction of a sewer line; and

WHEREAS, Supplemental Agreement No. 2 extended the term of this lease to 30 June 2007; and

WHEREAS, Supplemental Agreement No. 3 transferred lease to the U. S. Army Engineer District, Sacramento, California, for administration; and the administration and designated finance officer changed to the United States Property and Fiscal Officer; and

WHEREAS, Supplemental Agreement No. 4 extended this lease to 30 June 2014; and rental was changed from \$480 per annum to \$1 per annum; and reserve to the Government title to all Government-owned improvements now located or to be located on leased land; and the right to dispose of such improvements by sale for off-site removal or abandonment; and waive any and all claims to for restoration of the leased premises; and

WHEREAS, Supplemental Agreement No. 5 provided taxiway access to provide the public a connection to the public airport system across the Government's leased premises; and

WHEREAS, Supplemental Agreement No. 6 added 3.209 acres to support an Antenna Pole Farm and Fire Training Areas; and

WHEREAS, Supplemental Agreement No. 7 deleted taxiway access provided under Supplemental Agreement No. 5; and

Supplemental Agreement No. 10
Lease W04-203-ENG-3368

WHEREAS, Supplemental Agreement No. 8 added 1.205 acres and deleted 1.213 acres;
and

WHEREAS, Supplemental Agreement No. 9 allowed the Government to issue a permit to the United States Marine Corps for the purpose of mission training and vehicle repair for the period from 12 September 1989 through 1 September 1994; and

WHEREAS, the parties hereto desire to amend the lease to return and relinquish 24 acres of land, more or less, and seventeen (17) facilities to the Lessor; and to provide the Government with a right of entry to the returned 24 acres of land, more or less, for access to support the Air Force and Air National Guard's environmental investigation and restoration program; and to transfer the Government's remaining leasehold interest of approximately 3.18 acres of land, more or less, one (1) facility (Building 9) and parking lot) from the Air Force to the Army for use by the Army, the Army National Guard and its licensees and/or permittees, including, but not limited to the State of California Army National Guard; and

WHEREAS, it has been determined to be in the best interest of the Lessor and the Government to amend said lease accordingly;

NOW, THEREFORE, these parties for the consideration hereinafter mentioned, covenant and agree that the said lease is amended, effective on the execution date of this document by all parties, as follows:

1. Provision No. 2 of the Lease dated February 24, 1949, as amended by Supplemental Agreement No. 5, dated September 6, 1969, Supplemental Agreement No. 7, dated August 1, 1984 and Supplemental Agreement No. 8, dated December 6, 1989, is further amended to exclude the 24 acres, more or less, parcel of land and seventeen (17) facilities to Lessor. Such acreage and facilities are shown and described on Exhibit H, attached hereto and made a part hereof, and its return to Lessor is conditioned upon Lessor's execution of a right of entry in favor of the Government in the form attached hereto as Exhibit I.
2. Provision No. 2 of the Lease is further amended to transfer the Government's remaining leasehold interest of approximately 3.18 acres of land, more or less, from the Air Force to the Army for use by the Army, the Army National Guard and its licensees and/or permittees, including, but not limited to the State of California Army National Guard not to exceed the term of the current Lease, namely 30 June 2014. Such remaining acreage is shown and described on Exhibit J attached hereto and made a part hereof.
3. Lessor acknowledges and agrees that the Army, the Army National Guard and its licensees and/or permittees, including, but not limited to the State of California Army National Guard shall have no environmental remediation obligations with respect to the 24 acres of land returned to the Lessor pursuant to the Supplemental Agreement No. 10 and Lessor further releases the Army, the Army National Guard and its licensees and/or permittees, including, but not limited to

Supplemental Agreement No. 10
Lease W04-203-ENG-3368

the State of California Army National Guard from environmental responsibility as to the 24 acres for purposes of the Lease.

4. The Government acknowledges responsibility for remediation of all contaminated media caused by past California Air National Guard operations and will continue to conduct investigation and cleanup operations, at its sole expense on the 24 acres of land that is the subject to this Lease Supplemental Agreement with the City of Hayward, until all federal and state cleanup requirements are satisfied. The Government shall not be responsible for any future releases of hazardous materials caused by the City of Hayward, its agent, or tenants of the Hayward Municipal Airport. In addition, the City of Hayward will grant a right of entry to enter said premises to complete all remediation activities until all federal, state and local regulations are met.

THAT ALL OTHER TERMS AND CONDITIONS of the aforesaid lease are hereby ratified and, except as modified by the Supplemental Agreement, shall remain in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand by authority of the City of Hayward on this ____ day of _____, 2011.

CITY OF HAYWARD

Name and Title

Supplemental Agreement No. 10
Lease W04-203-ENG-3368

IN WITNESS WHEREOF, I have hereunto set my hand by authority of the Secretary of
the Army on this _____ day of _____, 2011.

DEPARTMENT OF THE ARMY

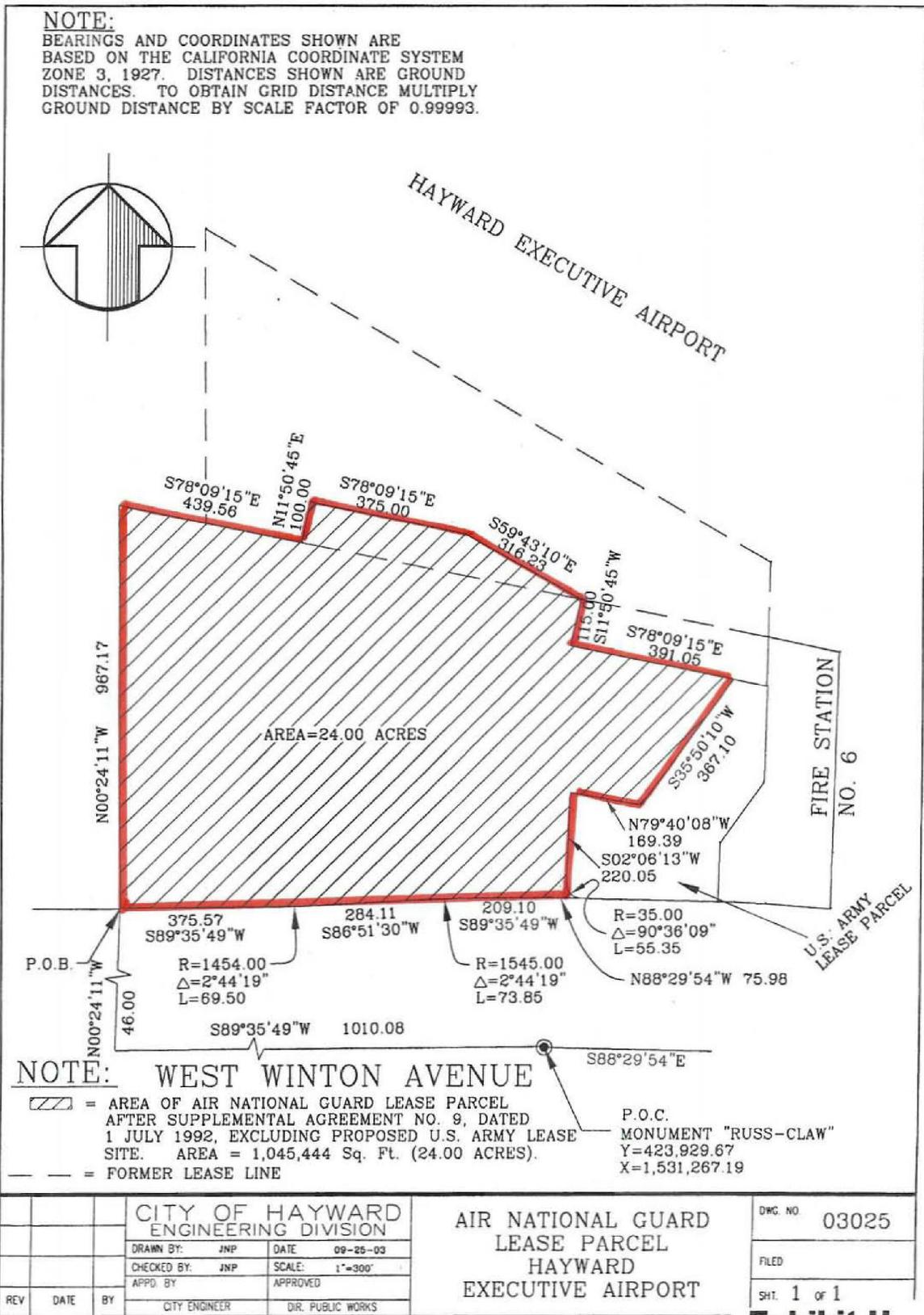
SHARON CAINE
Chief, Real Estate Division

Supplemental Agreement No. 10
Lease W04-203-ENG-3368

THIS SUPPLEMENTAL AGREEMENT is also executed by the Government under the authority of the Secretary of the Air Force this ____ day of _____, 2011.

UNITED STATES OF AMERICA

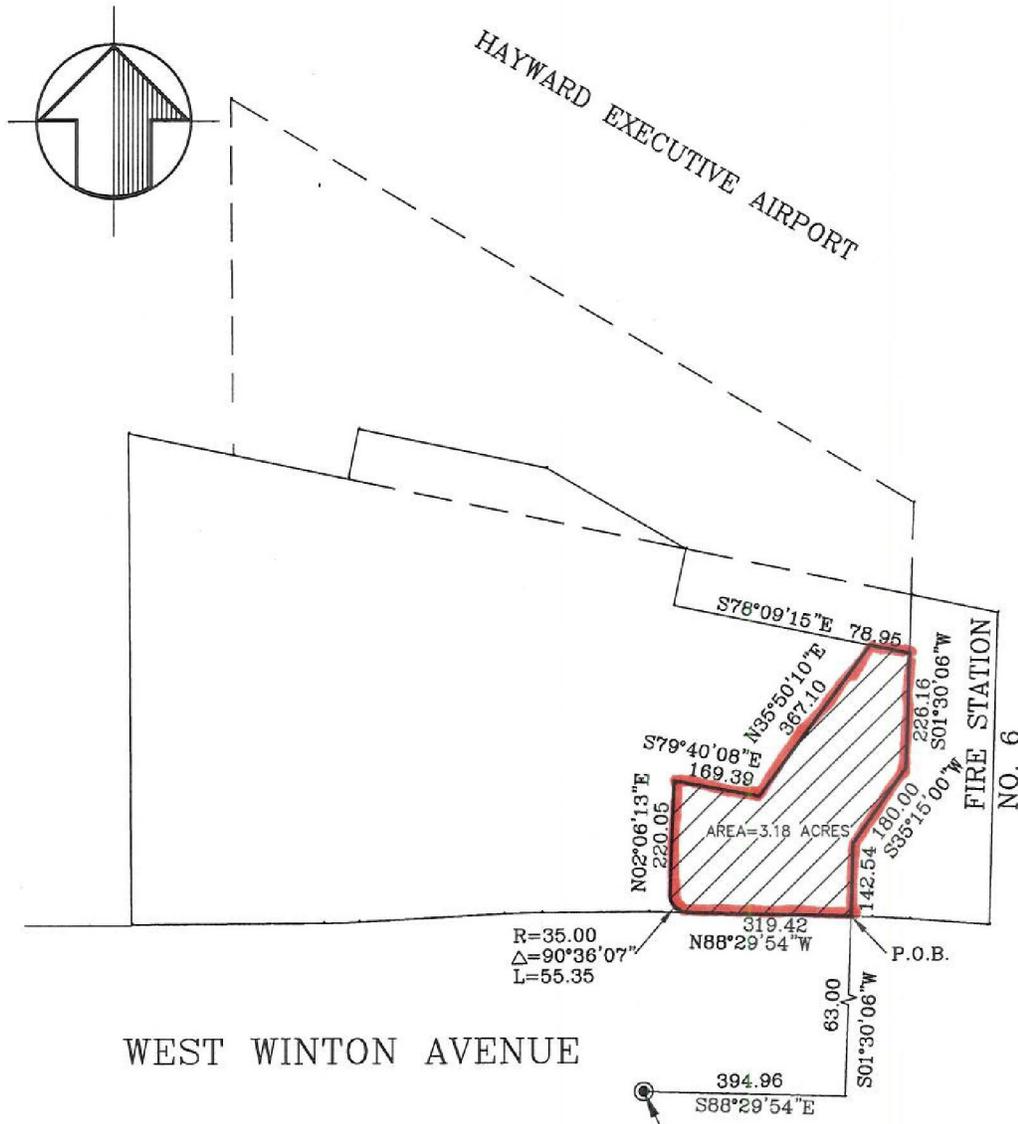
SAM C. RUPE, GS-15
Chief, Real Estate Transactions Division
Air Force Real Property Agency



FACILITIES TO CITY OF HAYWARD
LIST

<u>Fac #</u>	<u>Nomenclature</u>	<u>Square Feet</u>
1	Reserve Forces C-E Trng	60,099
2	BE Storage Shed	9,153
3	Vehicle Maint Shop	3,959
4	Dining Hall, Airmen	8,294
5	BE Maint Shop	1,456
6	Reserve Forces C-E Trng	238
7	Reserve Forces OPL Trng	3,200
8	Reserve Forces OPL Trng	3,200
10	Reserve Forces C-E Trng	15,795
11	Reserve Forces C-E Trng	16,816
14	Whse Sup & Equip Base	3,000
15	Whse Sup & Equip Base	3,000
22	Whse Sup & Equip Base	3,000
23	Vehicle Maint Shop	1,865
24	Vehicle Maint Shop	4,000
25	Hazard Storage, Base	300
26	Whse Sup & Equip Bse	790

NOTE:
 BEARINGS AND COORDINATES SHOWN ARE
 BASED ON THE CALIFORNIA COORDINATE SYSTEM
 ZONE 3, 1927. DISTANCES SHOWN ARE GROUND
 DISTANCES. TO OBTAIN GRID DISTANCE MULTIPLY
 GROUND DISTANCE BY SCALE FACTOR OF 0.99993.



NOTES:
 = AREA OF U.S. ARMY LEASE PARCEL
 AREA = 138,603 Sq.Ft. (3.18 ACRES)
 --- = FORMER LEASE LINE

CITY OF HAYWARD ENGINEERING DIVISION			U.S. ARMY LEASE PARCEL HAYWARD EXECUTIVE AIRPORT	DWG. NO. 02024
DRAWN BY: BDS	DATE 06-21-11			FILED
CHECKED BY: BDS	SCALE: 1"=300'			SHT. 1 of 1
APPD. BY	APPROVED			
REV	DATE	BY	CITY ENGINEER	DIR. PUBLIC WORKS

EXHIBIT J



NATIONAL GUARD BUREAU

3500 FETCHET AVENUE
JOINT BASE ANDREWS MD 20762-5157

JUN 24 2010

Mr. Lloyd Partin
Airport Manager
Hayward Executive Airport
20301 Skywest Drive
Hayward, CA 94541-4699

HAYWARD

JUN 28 2010

**EXECUTIVE
AIRPORT**

Dear Mr. Partin

I am writing in response to your conversation and subsequent email message with Mr. Mark Dickerson on 6 June 2010 requesting formal notice of the Air National Guard's (ANG's) intent to return a portion of the Hayward Air National Guard Station (HANGS) property to the City of Hayward prior to the lease expiration in 2014.

As of this time, all ANG operations at the HANGS have been transferred to other military installations with only one military member working at the site to maintain the property. As you are aware, a unit of the California Army National Guard (ARNG) occupies Building 9 with associated pavements and grounds on approximately three acres of the property and will continue to do so after the ANG's lease interest is terminated. The Corps of Engineers will be directed to amend lease W04-203-ENG-3368 to return approximately 24 acres of land, 13 buildings and associated improvements to the City of Hayward and to reassign the remaining lease responsibility to the U.S. Army on behalf of the ARNG (atch 1). Also, to support the Air National Guard's environmental investigation and restoration of the returned land, a right of entry will be required from the City of Hayward. We anticipate a three month real estate process upon receiving your written concurrence to this action.

Through the Air Force's Installation Restoration Program (IRP), operated under the authority of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the ANG is working to completely delineate all contamination caused by ANG activities at HANGS. The current phase of the IRP at HANGS involves the completion of the Remedial Investigation (RI) Report, which will determine the nature and extent of potential releases caused by ANG activities at HANGS. Once the RI Report is completed, the ANG will then prepare a Feasibility Study (FS), Proposed Plan (PP), and Record of Decision (ROD).

The ANG is planning to mobilize contract resources in the next month to collect the data required to complete the RI Report. Once this data is collected, we anticipate that the ANG will then also be able to complete the FS, PP and ROD documents mentioned above and eventually implement the remedial alternatives required to close out our IRP at HANGS. We anticipate that the RI Report and FS will receive regulatory approval by June 2011. The aviation fuel hydrant system and related contaminated soil are planned for removal by July 2011 under a separately funded project. The PP and ROD are anticipated to be approved by March 2012. Furthermore,

we anticipate having Remedy-In-Place by September 2013 and Response Complete by 2017 (estimated).

ANG acknowledges responsibility for remediation of all contamination caused by past HANGS operations and will continue to conduct investigation and cleanup operations until all Federal and State requirements are satisfied. After termination of the ANG lease interest at HANGS, the ANG will require unobstructed access to the property until all cleanup responsibilities are completed. We also request coordination on any future development plans by the Airport Authority or its tenants to ensure development activities do not impede our ability to execute investigation or cleanup related activities. We cannot guarantee that our restoration program activities will not impact tenant operations. However, as indicated, we will coordinate our actions so that adverse impacts to facility operations are minimized. In addition, because we are not at the stage of the process in which actions to mitigate contamination can be taken, intrusive development and maintenance activities may require provisions to protect workers, and to manage potentially contaminated soil. We will also require an agreement that future releases of hazardous materials by tenants are the responsibility of the tenants and the Airport Authority and will not be addressed as a part of ANG's cleanup activities.

Thank you for your consideration and interest in this matter. If you have any further questions, please feel free to contact my POC for this matter, Mr. Mark Dickerson, at (301) 836-8445 or by email at mark.dickerson@ang.af.mil.



BENJAMIN W. LAWLESS, P.E., YF-03
Chief, Operations Division

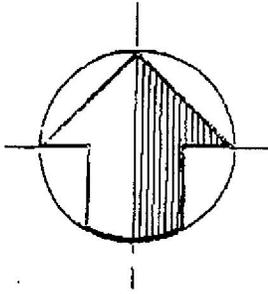
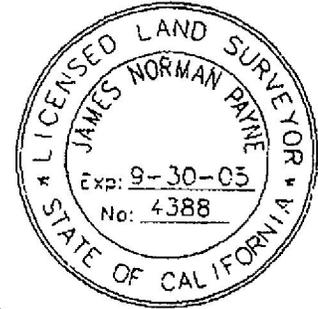
Attachment:
Site Map

cc:
162 CCG/BCE
USP&FO for California
TAG for California
NGB/A7OR
NGB/A7AR

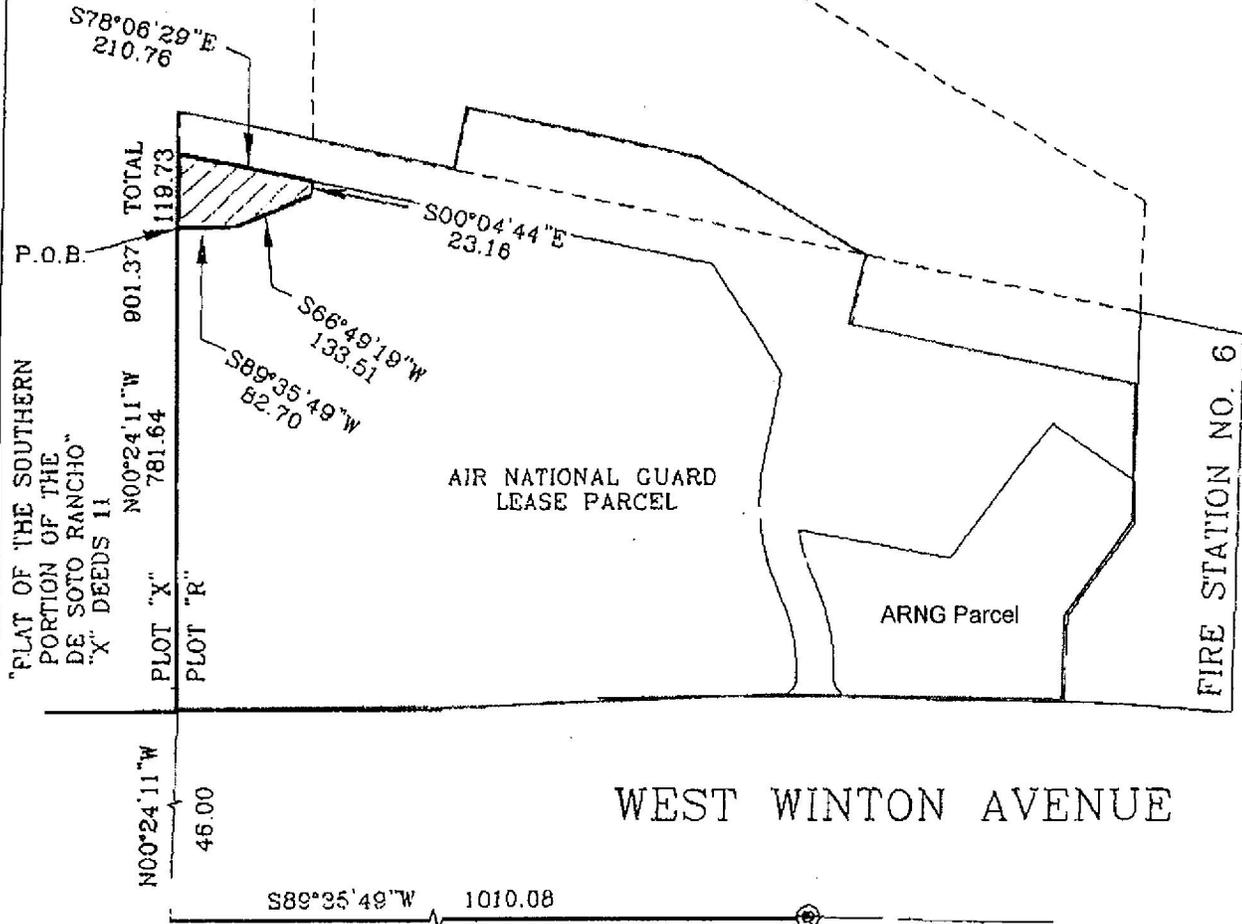
NOTE:

BEARINGS AND COORDINATES SHOWN ARE BASED ON THE CALIFORNIA COORDINATE SYSTEM ZONE 3, 1927. DISTANCES SHOWN ARE GROUND DISTANCES. TO OBTAIN GRID DISTANCE MULTIPLY GROUND DISTANCE BY SCALE FACTOR OF 0.99993.

NORMAN PAYNE
L.S. 4388
LICENSE EXPIRES 9-30-05



HAYWARD EXECUTIVE AIRPORT



NOTES:

▨ = AREA OF F.A.A. ANTENNAE LEASE PARCEL
AREA=16845 Sq.FL. (0.39 Acre)

--- = FORMER LEASE LINE

P.O.C.
MONUMENT "RUSS-CLAW"
Y=423,929.67
X=1,531,267.19

CITY OF HAYWARD ENGINEERING DIVISION			
DRAWN BY:	JNF	DATE:	06-11-02
CHECKED BY:	JNF	SCALE:	1"=330'
APPD BY:		APPROVED:	
REV	DATE	BY	CITY ENGINEER OR PUBLIC WORKS

F.A.A. ANTENNAE
LEASE PARCEL
HAYWARD
EXECUTIVE AIRPORT

DWG. NO 02025

FILED

SH. 1 of 1

Page 3 of 3

Department of the Army

**RIGHT-OF-ENTRY
FOR
ENVIRONMENTAL ASSESSMENT AND RESPONSE**

The undersigned, herein called the “Owner,” in consideration for the mutual benefits of the work described below, hereby grants the UNITED STATES OF AMERICA, hereinafter called the “Government”, a right-of-entry upon the following terms and conditions:

1. The Owner hereby grants to the Government an irrevocable and assignable right to enter in, on, over and across the land described in Exhibit A, for a period of four years, beginning with the date of the signing of this instrument, and terminating with the completion of the remediation activities on the former Hayward Air National Guard Station. The Government may exercise a two-year option to renew by providing written notice to the City of Hayward thirty days prior to expiration of the original term. This permit of right-of-entry is for use by the United States, its representatives, agents, and contractors, and assigns, as a work area for environmental investigation and response; including the right to store, move, and remove equipment and supplies; investigate and collect soil and ground samples; install, survey and perform sampling of monitoring wells; demolish, remove, and replace both concrete and asphalt paving; excavate and replace soil; inject oxidants and other chemicals into the ground water to treat groundwater contamination; drill, core and cut concrete; and containerize, store and pickup investigative and remediation derived waste.

And perform any other such work which may be necessary and incident to the Government’s use for the investigation and response on said lands; subject to existing easements for public roads and highways, public utilities, railroads and pipelines; reserving, however, to the landowner(s), their heirs, executors, administrators, successors and assigns, all such right, title, interest, and privilege as may be used and enjoyed without interfering with or abridging the rights and right-of-entry hereby acquired.

2. The Owner also grants the right to enter and exit over and across any other lands of the Owner as necessary to use the described lands for the purposes listed above. The United States, its representatives, contractors, and agents shall be allowed unrestricted access to the site necessary to monitor, sample and perform any actions necessary to complete mitigation of the site, providing 48 hours notice is given to the Hayward Airport office prior to any visit.

3. All tools, equipment, and other property taken upon or placed upon the land by the Government shall remain the property of the Government and may be removed by the Government at any time within a reasonable period after the expiration of this permit of right-of-entry.

4. If any action of the Government’s employees or agents in the exercise of this right-of-entry result in damage to the real property, the Government will, in its sole discretion, either repair such damage or make an appropriate settlement with the Owner. In no event shall such repair or settlement exceed the fair market value of the fee title to the real property at the time

immediately preceding such damage. The Government's liability under this clause is subject to the availability of appropriations for such payment, and nothing contained in this agreement may be considered as implying that Congress will at a later date appropriate funds sufficient to meet deficiencies. The provisions of this clause are with prejudice to any rights the Owner may have to make a claim under applicable laws for any damages other than those provided for herein.

5. All documentation concerning site cleanup and related activities shall be shared with the City during all phases of such action, until such time as the United States obtains official site closure by all agencies having oversight.

6. The land affected by this permit of right-of-entry is located in the County of Alameda, State of California and is identified by the RED outline on Exhibit A.

WITNESS MY HAND AND SEAL this _____ day of _____, 2010.

Frances David
City Manager
City of Hayward

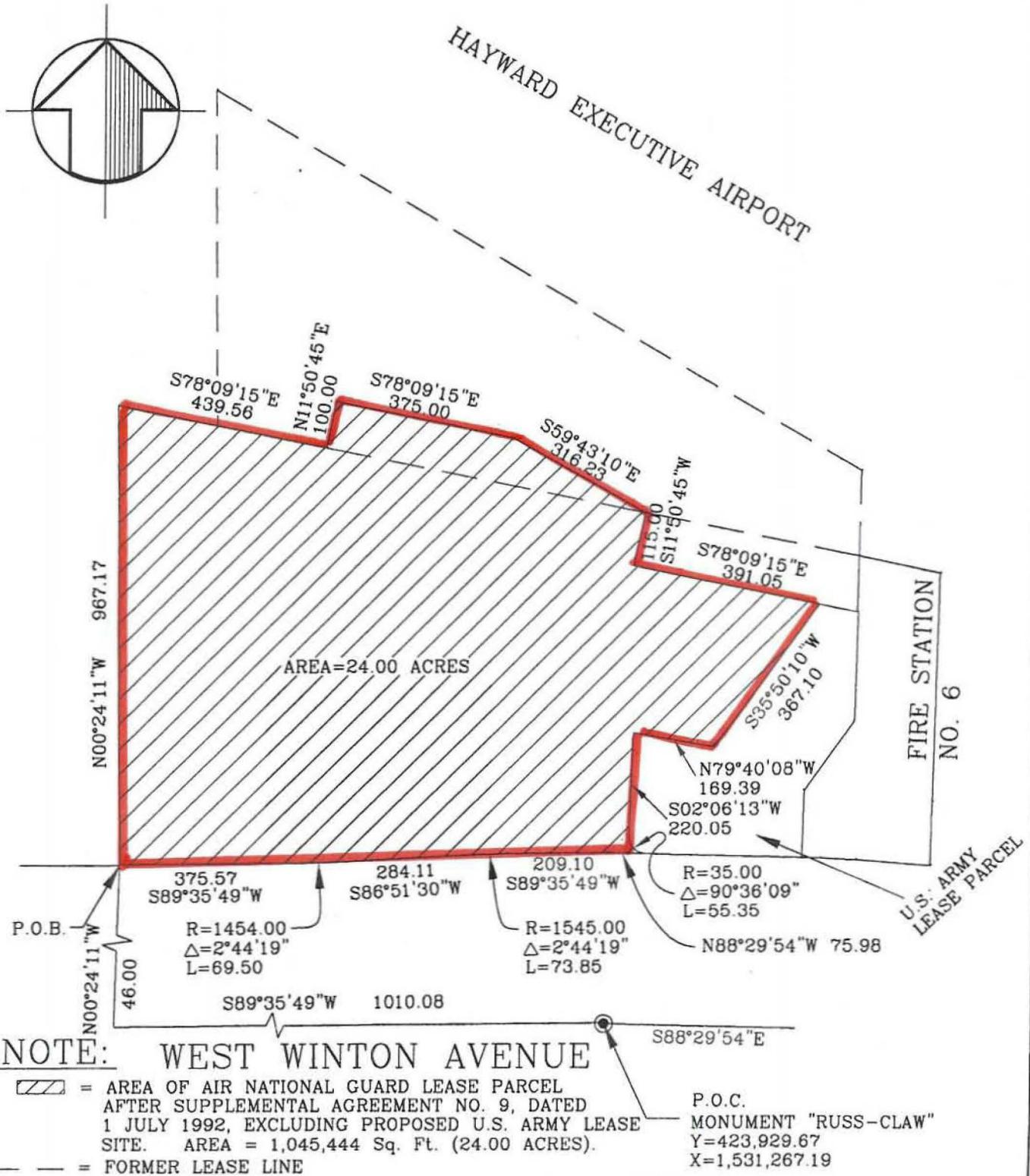
UNITED STATES OF AMERICA

By: _____
Brian Brown
Chief, Real Estate Transactions
Air Force Real Property Agency

Date: _____

NOTE:

BEARINGS AND COORDINATES SHOWN ARE BASED ON THE CALIFORNIA COORDINATE SYSTEM ZONE 3, 1927. DISTANCES SHOWN ARE GROUND DISTANCES. TO OBTAIN GRID DISTANCE MULTIPLY GROUND DISTANCE BY SCALE FACTOR OF 0.99993.



NOTE: WEST WINTON AVENUE

▨ = AREA OF AIR NATIONAL GUARD LEASE PARCEL AFTER SUPPLEMENTAL AGREEMENT NO. 9, DATED 1 JULY 1992, EXCLUDING PROPOSED U.S. ARMY LEASE SITE. AREA = 1,045,444 Sq. Ft. (24.00 ACRES).

--- = FORMER LEASE LINE

CITY OF HAYWARD ENGINEERING DIVISION			AIR NATIONAL GUARD LEASE PARCEL HAYWARD EXECUTIVE AIRPORT	DWG. NO. 03025
DRAWN BY: JNP	DATE: 09-25-03	SCALE: 1"=300'		FILED
CHECKED BY: JNP	APPROVED:			
REV	DATE	BY	CITY ENGINEER	DIR. PUBLIC WORKS



DATE: January 24, 2012

TO: Mayor and City Council

FROM: Director of Public Works – Engineering & Transportation

SUBJECT: Resolution Authorizing the City Manager to Negotiate and Execute a Ground Lease for Phase I and an Option Agreement with Master Lease for Phases I-V with Hayward Airport Development, LLC on a Parcel of Land at Hayward Executive Airport

RECOMMENDATION

That Council adopts the attached resolution (Attachment I) authorizing the City Manager to negotiate and execute a Ground Lease for Phase I and an Option Agreement with Master Lease for Phases I-V with Hayward Airport Development, LLC for a parcel of land at Hayward Executive Airport.

BACKGROUND

The City issued a Request for Proposals (RFP) on April 15, 2009, for development of a portion of the California Air National Guard (CANG) site at the Hayward Executive Airport consisting of 16.63 acres of land. The RFP was intended to spur renovation and civilian use of the existing 24,000 square foot large aircraft storage hangar (with additional square feet of associated office space) as well as the construction, operation, and management of additional privately-owned aircraft storage hangars. Staff received four proposals by the submission deadline of May 29, 2009, and after evaluation, staff determined the proposal from Hayward Airport Development LLC (HAD) to be the most responsive and responsible.

At the time of the RFP, it was the desire of the City that the Air National Guard convey a release of the property to the City, contingent on acceptance of responsibility for all future cleanups. In a letter dated June 24, 2011, the National Guard Bureau did commit to the cleanup and release of the property contingent on a right-of-entry from the City that granted future access for mitigation and monitoring activities. On October 18, 2011, Council adopted a resolution authorizing the City Manager to negotiate and execute Supplemental Agreement 10, returning twenty-four acres of the twenty-seven acre site to the City, as well as a right-of entry-agreement for a four-year period. Achievement of this milestone allowed lease negotiations for Phase I of the HAD development to proceed in earnest.

DISCUSSION

As reported at the October 27, 2011 Council Airport Committee (CAC) meeting and discussed again at the CAC special meeting on December 12, 2011, staff has been in lease negotiations with HAD regarding Phase I of the CANG site. The CANG Request for Proposals stipulated that the successful applicant may provide self-fueling services. During negotiations, staff anticipated that self-fueling authorization would not be required; rather, a cooperative agreement would be negotiated for the delivery of fuel between Field Aviation, as the designated FBO on that side of the Airport, and HAD.

However, on November 14, 2011, the Trustee for Field Aviation informed staff that development plans would not be moving forward. As a result, HAD has requested permission to install a jet fuel storage tank on its leasehold for self-fueling, and staff supports this request. Similar to the existing requirements for dispensing fuel on the airport by a FBO, HAD will pay fuel flowage charges, but based on 3% of its total gross cost of dispensed fuel rather than 3% of total fuel revenue, since they will not be selling fuel in the usual manner. (Our standard FBO rate is five cents per gallon OR 3% of total fuel revenue.) The design and installation of fuel storage tanks on the airport are subject to review and approval by the Hayward Fire Department (HFD). The HFD has not yet reviewed or approved the installation of fuel storage tanks on Phase I of the HAD leasehold, but a process is in place to do so based on previous proposed installations at the airport.

At the present time, it is not possible to enter into a lease for the entire Air National Guard (ANG) site released to the City because of the remaining cleanup required. The original proposal had anticipated five phases to the development. The first phase includes the large ANG hangar along with sufficient ground area for operations and access to the existing Taxiway (see Attachment II). The Phase I lease will be for five years with two five-year extensions.

The original CANG RFP mentioned above had established a minimum rent requirement at the standard \$0.30/square foot per year for ground rent for the entire site proposed for development. All four proposers, including HAD, reflected the \$0.30 rate in their response to the CANG RFP. However, during the past two years of periodic negotiations with HAD while waiting on release of the site, staff determined that the City should receive higher rent for the area covered by the existing CANG hangar. At the Council Airport Committee meeting of December 12, 2011, staff reported that the rent for Phase I will be based on \$0.52/s.f. per year for building space and the standard \$0.30/s.f. per year for ground rent.

After that meeting, other airport operators have questioned how the \$0.52/s.f. per year was established even though it was above the original proposal. Staff reexamined the various factors considered including: (1) the rate for City-owned hangars, (which is about \$3.76/s.f. per year); (2) the requirement to also lease additional land area (in addition to the hangar area); (3) the age of the hangar; and (4) the need to invest \$1,500,000 to make the hangar and site useable; (5) the risk and financing difficulties of dealing with a brown-field site; and (6) the disruption caused to HAD by the remaining cleanup to be done by the US Air Force.

After reevaluating those factors and with the agreement of HAD, the City is now proposing, and HAD has agreed to, rent of \$1.00/s.f. per year for the useable hangar area and the office space being used, and \$0.52/s.f./year for the space being donated by HAD for a Tuskegee Airmen Museum

(HAD will pay this rent for the next fifty years and will allow the museum to use this space rent-free). Total initial rent per year has been increased by \$7,742 based on these changes and will be \$52,619.

As mentioned above, in order to occupy Phase I, HAD has indicated an estimated initial investment of \$1.5 million, which will cover renovation and improvements to the ANG hangar, as well as new utility extensions and necessary pavement repairs to the access apron. Also as part of Phase I, HAD is providing about 2,000 square feet of rent-free office space in the hangar to use for a Tuskegee Airmen Museum. Consistent with the original RFP, HAD will be entering into an option agreement with the City, based on \$.075/sf for the remainder of the land that incorporates Phases II-V of the ANG site. As part of the option agreement, a proposed master lease incorporating Phase I and the remaining Phases II-V has been drafted with an anticipated time frame for each phase predicated on completion of the cleanup work by the Air Force. Phase V, which will be the commercial development along Winton Ave, will have a higher ground rent of \$0.50/s.f., while the remaining area will follow the standard ground rent rate, which is presently \$0.30/sf, subject to the customary rental increases over time. (See Attachment II for map of phased development).

Similar to other recent new lease developments, HAD will be paying \$25,000 towards the Airport's Aircraft Rescue and Fire Fighting Services (ARFF) in addition to Phase I rent. With this lease development, staff has also established an ARFF contribution rate for other new hangar developments at \$1.00/sf of new building consistent with prior developments. These ARFF revenues will be utilized for future operations and equipment replacement of the ARFF Apparatus and the cost of ARFF services on the airport. Based on hangar construction planned for Phases II-IV, an additional \$156,000 will be contributed to the ARFF.

ECONOMIC IMPACT

The overall economic impact of this ground lease to the City will be relatively modest. However, HAD has indicated that, when all phases are fully built out, they will store additional aircraft, presumably resulting in increased fuel consumption and additional employment opportunities.

FISCAL IMPACT

The revenue impact for the HAD development will be significant for the Hayward Airport. The proposed lease calls for payments in each phase, with reduced rent during construction, as follows:

Phase I: Ground rent of \$4,385 per month, based on a yearly rate of \$1.00 per sq. ft. for Hangar Premises and Office Premises, \$0.52 per sq.ft. for Museum Premises, and \$0.30 per sq. ft. for Aircraft Apron Premises, subject to the City's standard rent adjustments. Rent is calculated at fifty percent of the ground lease rate during Phase I construction.

Phase II: Ground rent of \$2,130 per month, based on a yearly rate of \$0.30 per sq. ft. on 85,213 sq. ft. with option payments calculated at twenty-five percent of the ground lease rate, and rent calculated at fifty percent of the ground lease rate during Phase II construction.

Phase III: Ground rent of \$2,643 per month, based on a yearly rate of \$0.30 per sq. ft. on 105,213 sq. ft. with option payments calculated at twenty-five percent of the ground rent rate,

and rent calculated at fifty percent of the ground lease rate during Phase III construction.

Phase IV: Ground rent of \$6,166 per month, based on a yearly rate of \$0.30 per sq. ft. on 246,652 sq. ft. with option payments calculated at twenty-five percent of the ground rent rate, and rent calculated at fifty percent of the ground lease rate during Phase IV construction.

Phase V: Ground rent of \$7,239 per month, based on a yearly rate of \$0.50 per sq. ft. on 173,739 sq. ft. with option payments calculated at twenty-five percent of the ground lease rate, and rent calculated at fifty percent of the ground lease rate during Phase V construction.

Under Phase I and the option payment for the remaining Phases II-V, the leasehold will contribute total revenue annually of \$98,467. After completion of all phases, the leasehold will contribute an annual total of \$270,756 to the Airport Operating Fund. Timing of buildout of all phases will depend on the cleanup by the Air National Guard but is estimated to occur within seven years.

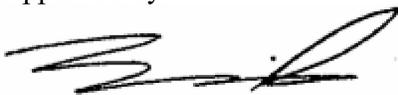
PUBLIC CONTACT

Staff advertised the RFP on April 15, 2009 in accordance with normal and customary procedures. The Council Airport Committee selected Hayward Airport Development on July 23, 2009. Staff provided additional updates to the CAC on July 22, 2010, March 7, 2011, October 27, 2011, and December 12, 2011.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

Attachments: Attachment I: Resolution
Attachment II: HAD Site Location Map

HAYWARD CITY COUNCIL

RESOLUTION NO. 12- _____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A GROUND LEASE FOR PHASE I AND A OPTION AGREEMENT WITH MASTER LEASE FOR PHASES I-V WITH HAYWARD AIRPORT DEVELOPMENT, LLC ON A PARCEL OF LAND AT HAYWARD EXECUTIVE AIRPORT

WHEREAS, the City of Hayward (“City”) owns and operates the Hayward Executive Airport; and

WHEREAS, the City wishes to lease certain property on the airport in Plot R of the Air National Guard Lease Parcel;

WHEREAS, the City issued a Request for Proposals to publically advertise the property for lease; and

WHEREAS, four organizations responded to the Request for Proposals, and after evaluation of the proposals, Hayward Airport Development LLC was determined to be the most responsive and responsible proponent;

NOW, THEREFORE, BE IT RESOLVED, that the City Manager is authorized to negotiate and execute a ground lease with Hayward Airport Development LLC for Phase I and an Option Agreement with Master Lease for Phases I-V in a form approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2012

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



DATE: October 25, 2012

TO: Council Airport Committee Members

FROM: Director of Public Works - Engineering and Transportation

SUBJECT: Status of the Ground Lease for Phase I with Hayward Airport Development, LLC

RECOMMENDATION

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

BACKGROUND

On October 18, 2011, Council adopted a resolution authorizing the City Manager to negotiate and execute Supplemental Agreement No. 10, which returns twenty-four acres of a 27.18 acre site leased to the California Air National Guard (CANG) to the City (Attachment I). On January 24, 2012, the Council adopted a resolution authorizing the City Manager to negotiate and execute a ground lease for Phase I and an option agreement with master lease for Phases I – V with Hayward Airport Development, LLC (HAD). A copy of the staff report summarizing the background and discussion prior to this approval is attached (Attachment II). On May 23, 2012, staff was informed that Congressional approval had been received to return the CANG site to the City. The purpose of this report is to outline subsequent developments regarding the CANG site.

DISCUSSION

HAD was originally comprised of Devcon Construction, a local construction company headquartered in Milpitas; Presidio Development, a real estate development company located in San Francisco; and SP Aviation, an aircraft charter company based in Hayward. As originally conceived, Devcon and SP Aviation would be equity partners sharing in the cost of development, and Presidio would manage the design and construction effort. SP Aviation also planned to be a major tenant once Phase I of the CANG site was renovated and available for occupancy.

In mid-July, staff was informed that Devcon and SP Aviation had never formalized their partnership and they were having difficulty in successfully negotiating a written agreement. This was the first indication of any discord.

Coincidentally, in mid-July, APP Jet Center informed staff they were giving SP Aviation (their subtenant) notice to vacate hangar and office space they were renting on Hayward Executive Airport by September 1, 2012. APP Jet Center indicated they had a new commercial tenant willing

to execute a long-term lease. SP Aviation was vulnerable because they had elected to rent on a month-to-month basis without a written long-term agreement.

Staff took steps to assist in the resolution of these issues. For example, staff quickly identified alternative hangar and office space available on the airport and informed SP Aviation. For a period of time, staff was in almost daily contact with the parties to facilitate discussion. Staff also worked closely with the Hayward Fire Department and Development Services Department staff to identify options that would allow SP Aviation to temporarily utilize portions of the CANG site. Despite these efforts, SP Aviation opted to vacate and relocate their business office, maintenance shop and eight jet aircraft to Oakland International Airport. Although staff was informed that SP Aviation's relocation was temporary pending further negotiations with Devcon, there has apparently been no further communication between the parties.

Staff has continued to work with HAD as they evaluate their options. Since September 1, 2012, HAD and electrical subcontractors have visited the CANG site on several occasions and they are now working to determine the investment required to renovate the existing CANG hangar and complete Phase I. A decision by HAD on the entire project is expected by November 1, 2012.

In the event that HAD does not move forward, the City will have several possible options, of which reissuing a Request for Proposals (RFP) for the CANG site is one possibility. Hayward Executive Airport (HWD) is unique among many general aviation reliever airports in that it has a twenty-four-acre parcel of land available for development, and staff is enthusiastic about the potential of the site. However, the sluggish national economy and the need for the military to complete environmental clean-up of Phases II – V over the next two years suggests that staff needs to carefully evaluate all options available to HWD.

FISCAL IMPACT

The fiscal impact of the HAD project is addressed in the staff report dated January 24, 2012 (Attachment II).

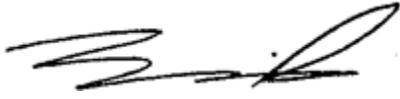
PUBLIC CONTACT

Staff advertised the original RFP for development of the CANG site on April 15, 2009 in accordance with normal and customary procedures. The Council Airport Committee (CAC) selected HAD on July 23, 2009. Staff provided additional updates to the CAC on July 22, 2010, March 7, 2011, and October 27, 2011.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: City Council Oct 18, 2011 Agenda Report
- Attachment II: City Council Jan 24, 2012 Agenda Report