



CITY OF
HAYWARD
HEART OF THE BAY

COUNCIL AIRPORT COMMITTEE

OCTOBER 31, 2013

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**CITY COUNCIL AIRPORT COMMITTEE MEETING
THURSDAY, OCTOBER 31, 2013
CONFERENCE ROOM 2A, CITY HALL
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 Minutes for April 25, 2013

[Minutes](#)

2. Proposed Ground Lease for Meridian Companies

[Staff Report](#)
[Attachment I](#)
[Attachment II](#)

3. Committee Member Announcements, Referrals
4. Future Agenda Items

ADJOURNMENT

NEXT REGULAR MEETING – 5:30 PM, JANUARY 23, 2014

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.

HAYWARD CITY COUNCIL, 777 B STREET, HAYWARD, CA 94541
[HTTP://WWW.HAYWARD-CA.GOV](http://www.hayward-ca.gov)

DATE: October 31, 2013
TO: Council Airport Committee
FROM: Morad Fakhrai, Director of Public Works - Engineering & Transportation
SUBJECT: Summary Minutes for April 25, 2013

CALL MEETING TO ORDER

Council Member Halliday called the meeting to order at 5:30 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
Brendan O'Reilly, CAE, CM, Airport Operations Manager
Noemi Dostal, Administrative Analyst II
Courtney Meredith, Airport Noise Abatement Analyst
Debbie Summers, Airport Senior Secretary

Members of the public present:

Gary Briggs	Christopher Hambleton	Jerylyn Bohlender
Ralph Davis	Ron Silva	Pamela McCarthy
Ben L. Henderson	Jessica Mullen	

PUBLIC COMMENTS:

None

1. Summary Minutes for January 24, 2013

Summary Minutes approved as submitted.

2. Airport Safety Measures

Airport Manager Doug McNeeley presented an overview of this item stating that the Federal Aviation Administration (FAA) contractually obligates airports that accept funding for capital projects to maintain a high level of safety for the flying public. In addition, the City's policy is to operate the Airport to protect and promote the health, safety, security, and general welfare of the public. Given these requirements, it is appropriate to consider the steps that staff has taken within the past eighteen months to ensure the safe operation of the Airport. Attached to the report is a

summary of the Airport accidents that occurred between January 1980 and November 2012. There were a total of 48 accidents during this period. Where a probable cause could be determined, only one of the 48 accidents was attributable to staff, in which a tool was inadvertently left on a runway.

Council Member Zermeño asked if we were faced with the problem of pilots having too many cocktails. Mr. McNeeley said that he did not believe so, but FAA regulations govern how pilots may fly and the FAA occasionally conducts inspections of pilots and airplanes. The City does not have a role in determining whether someone was impaired while trying to fly.

Council Member Jones stated that we discussed in a previous meeting about Part 139 requirements and asked if there had been any discussion of the FAA requiring the airport to adopt Part 139 regulations. Mr. McNeeley responded that, at the present time, Part 139 requirements apply only to airports that have air carrier service. However, since he used to manage a Part 139 airport, we have already adopted some of those procedures. However, in the future the FAA, is considering requiring some larger general aviation airports to adopt partial Part 139 regulations, with a decision expected in 2015. It is not clear whether Hayward will be one of those airports.

Council Member Halliday asked which one of the accidents shown on the report was related to Airport staff. Mr. McNeeley stated it is the accident dated February 24, 1989. Council Member Halliday said that since the cause of the accident was a device the contractor left on the runway, it actually was not our fault. Mr. McNeeley replied that staff is responsible for safety on the Airport and to inspect the Airport on a daily basis; therefore, it was our responsibility to inspect the runway after the work was completed.

Council Member Zermeño asked if we have to keep records of accidents all the way back to 1982. Mr. McNeeley replied that the information was taken from National Transportation Safety Board accident records that are available to the public online.

PUBLIC COMMENTS

None.

3. Annual Evaluation of the Performance Based Noise Ordinance

Mr. McNeeley presented an overview of this item and stated that each noise complaint received over our designated hotline is evaluated and receives a personal response. A total of 612 complaints were registered in 2012; this represents a 8.5 % increase from 2011. In evaluating this total, it was noted that two households in San Lorenzo filed a total of 504 complaints, which is over 82 percent of all registered complaints. Out of this total, 479 were not correlated with any measured exceedance or violation of our Noise Ordinance. Therefore, as in past years, uncorrelated complaints are considered anomalies and are separated from the report.

There remains a total of 133 complaints, representing 0.16% of 83,173 total operations for the year. In 2012, 106 complaints exceeded the City's Noise Ordinance.

Noise complaints continue to be received primarily in daylight hours between 7:00 am and 7:00 pm. Calls during the evening between 7:01 pm and 11:00 pm were down about 10 percent, while calls during overnight hours between 11:01 pm and 6:59 am were up by 18 calls in comparison with the previous year. The increase in overnight calls can be attributed to flights by

air ambulance companies and the operations of a freight forwarder now at the Airport named Ameriflight. Staff has work with Ameriflight's Station Manager to reduce noise impact, including such things as the discontinuation of reverse thrust by landing aircraft when conditions allow it.

Mr. McNeely concluded the presentation stating that staff promptly contacts the operators of aircraft that violate the noise ordinance and counsels them on the proper procedures. Once counseled, typically these aircrafts do not return to Hayward. Since 1993, the number of annual complaints caused by exceedances of the noise ordinance have dropped from 156 to 32, a reduction of 79 percent.

Council Member Zermeño asked if we foresee a lower number of operations in the year 2013. Mr. McNeeley replied as long as there are not any further setbacks in the national economy that, at this point, he expects the number of operations to be about the same, which is a little over 83,000 operations.

Council Member Halliday asked how we minimized complaints during the night hours. Mr. McNeeley replied that Ameriflight has been very cooperative in working with the Airport and we are on very good terms with their station manager. Ameriflight operates 24 hours a day and has six to seven trips that occur in the overnight hours. As an example, one flight arrives around 5:10 am in the morning and when they land, the pilot would use reverse thrust, which generates additional noise that could affect the San Lorenzo residents. Mr. McNeeley spoke to Ameriflight's station manager and their chief pilot and both agreed not to use reverse thrust when they are landing unless it was necessary for safety purposes. Ameriflight also agreed to turn off at an earlier taxiway when they land on Runway 28L to minimize the noise. Since then, we have not had a single complaint.

Mr. McNeeley added that Ameriflight came to the Airport in October of last year and 100LL Avgas sales are up about 60 percent. In addition, freight sales went from 9,000 to 10,000 pounds per month to over 300,000 pounds per month.

Council Member Halliday commented that it is all about providing good customer service and understanding how the noise complaints are generated, then determining what we can do about the complaint and working with the pilots. She added that Council is not hearing about any of the noise complaints; therefore, the Airport is doing an excellent job handling them.

PUBLIC COMMENTS

None.

4. Hayward Executive Airport Open House 2013

Mr. McNeeley stated that the Open House is Saturday, May 11, 2013, from 10:00am to 4:00pm. Admission to the event is free of charge, and the attendance has been growing; last year the open house attracted over 3,200 visitors. If the weather cooperates, this year's event should attract a similar number of attendees or more. He added that the Airport is proud to be working with the Bay Area Black Pilots Association, Tuskegee Airmen, Inc., East Bay Aviators, Inc., and Motivation and Learning through Aviation (MALTA) to produce and sponsor this event. He also thanked Council Member Halliday, Ben Henderson and other members of the event committee for their valuable assistance. Mr. McNeeley stated that the purpose of the Open House is to inform the

public about the economic and community benefits provided by the Airport as well as to inform school age children about the career opportunities provided in aviation.

Council Member Halliday asked about parking availability. Mr. McNeeley replied that parking is free and there will be multiple places around the Airport to park. Council Member Halliday replied that it is wonderful that we are doing this, it is a great motivator for young people in this area, and she thanked everyone for helping out with the event. Mr. McNeeley added that we should end up with about 50 volunteers from the Civil Air Patrol, Sea Cadets, and Hayward Explorers whom will all be in uniform. They were invaluable at last year's event and he hopes they will be again this year.

PUBLIC COMMENTS

None.

5. Committee Members and Staff Announcements, Referrals

Council Member Zermeño proposed that we look into the idea of putting up some sort of monument sign to promote the Hayward Executive Airport at the corner of W. Winton Avenue and Hesperian Boulevard. Mr. McNeeley replied that the area is at the end of one of the runways, and a monument could be considered an obstruction by the FAA. Therefore, we have to proceed carefully. Mr. Fakhrai, Director of Public Works - Engineering & Transportation, said we would look into it.

Council Member Jones recently heard that the Hayward Air Rally provides scholarships to two or three students a year and he noted that no one from the Hayward schools was awarded a scholarship nor did they even apply. He added that we have to find some way to get the word out to the schools to get Hayward students to the academy.

Mr. McNeeley commented that as a follow-up to Council Member Zermeño's request to work with Chabot College about offering aviation classes, he met with Mat Kritsher and Tom Clark of Chabot College. They discussed the college's potential interest in offering aviation courses, such as a flight program, as well as a class in line service to people who fuel airplanes. He also provided a tour of the Airport. Mr. McNeeley stated that if Chabot College decides to offer a flight program, they will explore this opportunity with all of our flight schools and the college will probably issue a Request for Proposal (RFP). Chabot College will contact us with their decision at the end of the semester on May 31, 2013. Mr. McNeeley added that he has contacted all of the flight schools at the Airport with this idea and they are more than pleased, and willing to participate.

6. Future Agenda Items

- Notify Hayward School District about the Hayward Air Rally Scholarship Program.

ADJOURNMENT

The meeting adjourned at 6:16 p.m.

DATE: October 31, 2013

TO: Council Airport Committee Members

FROM: Director of Public Works - Engineering & Transportation

SUBJECT: Proposed Ground Lease for Meridian Companies

RECOMMENDATION

That the Committee reviews this information, provides comments regarding the proposed ground lease, and recommends that this item be forwarded to Council for approval consistent with the terms outlined in this report.

BACKGROUND

Development of the south side of the Airport is depicted on the official Airport Layout Plan (ALP), and securing tenants for this available space will help ensure the financial viability of the Airport and overall economic development of the City's industrial area. Within the past six years, two companies (Field Aviation and Hayward Airport Development) proposed construction projects for the south side that were given a high priority by the Council Airport Committee (CAC). Portions of the proposed Meridian leasehold include the area previously approved by Council for negotiations with Field Aviation for use as an Fixed Base Operator (FBO). However, due to adverse economic conditions and other factors, each company withdrew from consideration before lease negotiations could be completed.

In July 2012, staff was contacted by [the Meridian Companies](#) regarding their interest in establishing a FBO in California. Hayward Executive Airport was one of several airports under consideration. A series of meetings were subsequently held with senior company officials to discuss Meridian's business plan and the scope of the project. Staff received an email from Meridian dated July 23, 2012 expressing interest in further discussion. On November 28, 2012, a Letter of Intent was submitted to Airport staff, followed by the receipt of a Business Qualification Application on March 4, 2013.

DISCUSSION

As noted above, Meridian has expressed interest in establishing an FBO at the Airport. Meridian is a privately-held aviation company based in Teterboro, New Jersey. They own and operate businesses that provide air charter, corporate aircraft management, aircraft maintenance, fuel, and other services for private aircraft owners. Meridian has operated an FBO at Teterboro since 1958 and is reportedly the longest continuously operating aviation services company in the New York

area. Annual pilot surveys in various trade publications rank the company's services very highly, and for three consecutive years, respondents to the Pilots Choice Award survey have ranked Meridian Teterboro as the number one FBO in the United States (of approximately 3,100 FBOs).

As an indication of Meridian's financial capabilities and technical expertise, they have successfully financed and constructed numerous capital improvements at Teterboro, including a new 30,000 square foot three-story terminal building, two aircraft storage hangars totaling 60,000 square feet, and a fuel storage facility with a capacity of 180,000 gallons. Their total investment for all improvements at Teterboro exceeds \$15 million. In addition, Meridian has 198 full-time employees, owns or manages twenty-one jet aircraft, and annually sells over six million gallons of aviation fuel. In their Business Qualification Application, Meridian indicated that gross receipts from their current business in the most recent year were approximately \$84 million and that they anticipate a business volume of \$2.6 million in the first year of operation at Hayward. Meridian anticipates forming a separate corporation, Meridian California, to manage the business at Hayward with essentially the same management staff who oversee the operations at Teterboro.

Proposed Meridian Facilities at Hayward – After considering various leasehold options at the Airport, including the former 24-acre California Air National Guard (CANG) site, Meridian has expressed interest in an undeveloped 15.13-acre leasehold on the south side of the Airport (Attachment I). Meridian believes this location offers a number of benefits, including the area necessary to construct an adequately-sized aircraft parking apron and convenient access to the Airport runway and taxiway system.

Lease Term – The initial term of the lease with Meridian will be six months to allow Meridian time to conduct their due diligence and environmental reviews; and will commence on the effective date. The lessee shall have the single option to extend the term of lease forty-nine years and six months, predicated upon a minimum initial financial investment of at least \$4 million and compliance with all other lease provisions and notification requirements.

Meridian will develop the site in four phases, similar to the original proposals for the south side from Field Aviation and Hayward Airport Development (Attachment II). This will allow for an orderly expansion as customer demand increases and to better allocate capital. The four phases are outlined below. Sizes are approximate.

- Phase 1 – This phase is 7.23 acres in size and includes the construction of a 122,500 square foot aircraft parking apron, one 18,000 square foot aircraft storage hangar, and an attached 3,000 square foot passenger terminal. The passenger terminal will have a reception area, pilot lounge, weather briefing room, and administration offices. This phase also includes the construction of an above ground fuel storage facility with a capacity of 30,000 gallons, a two-lane entrance roadway connecting to West Winton Avenue, and a parking lot with a forty-vehicle capacity. These facilities meet the requirements set forth in the Airport minimum standards for full-service FBOs. Phase 1 must be completed no later than four years after the lease option is exercised. Meridian indicates it will make an investment of approximately \$5.6 million for this phase. Should they not be successful, the City has the choice of cancelling the lease or giving Meridian a time extension for a good reason, such as poor economic climate.

- Phase 2 – This phase adds 2.78 acres to Phase 1. The type of facilities to be constructed will be based on market demand, but are anticipated to include a 10,000 square foot passenger terminal, a second 26,250 square foot hangar, approximately 57,000 square feet of additional aircraft parking apron, and parking for an additional forty-four vehicles. This phase will be completed within five years of the exercise of lease option.
- Phase 3 – This phase adds approximately 1.37 acres and is expected to include 15,000 square feet of additional hangar space and associated aircraft parking apron and vehicle parking space. This phase will be completed within fourteen years of the exercise of lease option.
- Phase 4 – This final phase adds approximately 3.75 acres for a total leasehold area of 15.13 acres and is anticipated to include an additional 50,000 square feet of hangar space and associated aircraft parking apron and vehicle parking space. This phase will be completed within twenty years from the exercise of lease option.

Competitive Factors/Fueling Activities – Pilots have typically had a choice of two or more FBOs at the Hayward Executive Airport (HWD) but since May 2011, APP Jet Center has been the sole FBO at the Airport. While APP offers a range of products and services comparable to other FBOs of its size, the presence of a second FBO at the Airport should provide a more competitive environment that will benefit based and transient customers.

Airports that receive grant funding from the Federal Aviation Administration (FAA) such as HWD are required to adhere to certain contractual provisions known as *grant assurances* as well as *Federal Aviation Regulations*, advisory circulars, and other written forms of guidance. These documents outline the factors an airport sponsor may take into consideration regarding competition among commercial tenants. For the benefit of the public, the FAA encourages competition and requires airport sponsors to make space available to qualified companies wishing to provide aeronautical services at the airport (*FAA Advisory Circular 150/5190-6, Paragraph 4*). This prohibits airport owners from arbitrarily limiting the number of aeronautical service providers at an airport, including FBOs. Provided that space is available at the airport, the only basis for denial of a proposal is in the event the activity is unsafe or if it affects the efficient operation of navigable airspace (*FAA Advisory Circular 150/5190-6, Section I, Paragraph 1.3 (a) 1*). It is staff's opinion that neither of these circumstances apply in this case.

According to the HWD Minimum Standards, prior to engaging in fueling activities, a prospective FBO must submit a business plan demonstrating, among other items, that revenue projections will be supported by incremental new business rather than just a dilution of market share from existing fuel suppliers. The air route between New York and San Francisco is heavily traveled by corporate aircraft, and Meridian is confident that many of their New York customers currently landing at other Bay Area airports will welcome the opportunity to patronize the Meridian Hayward FBO. In addition, Meridian already bases one jet charter aircraft at Hayward and there are plans to place additional aircraft into service as demand increases. These activities would all contribute to incremental new business and revenue.

During lease negotiations with Field Aviation in 2007 for the establishment of an FBO on the south side of the Airport, a provision in the draft lease prohibited them from selling fuel on the north side of the Airport. It was the intent of staff to also modify the ground lease of each existing FBO located on the north side of the Airport to prohibit them from selling fuel on the south side, but this was never accomplished. In the current interest of maintaining an open and competitive environment as well as compliance with FAA standards, staff recommends that every FBO on the Airport be permitted to sell fuel in all common areas and on those private leaseholds that permit them access. The movement of fuel trucks between the north and south side of the Airport will be through use of the south perimeter road after it has been improved. The City will complete improvement of the south perimeter road consistent with the Phase I timelines of the Meridian improvements.

Request for Proposals – According to the City Attorney, under the California Government Code and provisions of the City Charter, the City has the option to either entertain new business proposals from individuals or companies that may be received from time to time or solicit public interest for development opportunities through a Request for Proposals (RFP). The FAA also permits airport sponsors to enter into long-term leases by negotiation or solicitation. The City has taken both approaches in the past. Ascend Development contacted the City in 2000 and their proposal for development of aircraft hangars was subsequently approved by Council, and the City also participated in lease negotiations for development of an FBO after being contacted by Field Aviation. In other instances, the City has issued a RFP, including one for development of the California Air National Guard site and, separately, for the lease of an existing commercial hangar. Because there is no other formal interest in the former Field Aviation site at this time and because of the demonstrated capabilities of Meridian, staff recommends that lease negotiations continue with Meridian.

FAA Approvals and Environmental Review – FAA approval is required for any proposed construction project through amendments to the Airport Layout Plan (ALP), and the FAA is also the lead agency for all National Environmental Policy Act (NEPA) requirements at the Airport. During a recent meeting with the FAA, staff provided an overview of the Meridian proposal. Once the CAC makes a recommendation for action to Council, staff will submit a site plan to the FAA and officially request modification of the ALP, and this in turn will trigger a NEPA review of the project. Due to the similarities with the Field Aviation project, no issues are anticipated in receiving approval of the updated ALP or a Categorical Exclusion under NEPA, and the FAA has indicated they will provide an expeditious response. Staff will also review the proposed plan in accordance with the California Environmental Quality Act (CEQA) to ensure consistency with the Airport's Environmental Impact Report completed for the current Airport Master Plan.

FISCAL IMPACT

As noted earlier, Meridian's investment in the Airport for Phase 1 of the development is estimated at approximately \$5.6 million. Cost estimates for Phases 2 through 4 will depend on the exact nature of the development (hangars, office space, aircraft parking apron, or some combination of these based upon customer demand), but will require Meridian to expend millions of additional dollars. Meridian will also be initially creating ten new full-time jobs at HWD, such as customer service representatives, line service technicians, and two supervisory positions, with additional

positions anticipated in the future as business expands. Per a key goal contained within the City's recently adopted Economic Development Strategic Plan, Meridian will adhere to the City's efforts to support, to the greatest extent possible, the hiring of Hayward residents for these new positions.

The FAA requires that airport owners maintain a fee and rental structure that makes the Airport as financially self-sustaining as possible. The positive revenue impact to the Airport of the proposed Meridian FBO would be significant. The estimated annual revenue from ground rent from each phase of construction when fully developed is as follows:

- Phase 1 - \$100,789
- Phase 2 - \$37,876
- Phase 3 - \$19,023
- Phase 4 - \$52,297

The total annual revenue from ground rent once all four phases are developed is approximately \$209,985. As an inducement to select Hayward over competing airports, reduced ground rent has been negotiated during the initial term of the lease and during construction. During the initial term of the lease, ground rent will be \$0.10 per square foot. The amount per square foot increases to \$0.16 during the construction phase, and then reaches the full amount of \$0.32 per square foot once Meridian receives its certificate of occupancy.

Meridian will be subject to fuel flowage or percentage gross fees as stated in Paragraph 2 (e) of the Hayward Executive Airport Rates and Charges. Based on first year estimates, this represents an additional \$80,000 of annual revenue to the Hayward airport. In addition, Meridian will be assessed a fee of \$1 per square foot of new hangar construction to support ongoing Aircraft Rescue and Firefighting (ARFF) operations at the Airport. As the new hangar space within the first phase is approximately 18,000 square feet, revenue from this fee is estimated at \$18,000.

Outside of the revenues to be generated by their occupancy as an FBO at the Airport, staff anticipates that Meridian will be an active participant at community events. Most recently, Meridian set up a static airplane display for the public to view at the Airport's Open House event. Future efforts during this event will be focused on inspiring the community's youth to pursue careers in aviation by advising them of the array of educational opportunities available in this field. Meridian will also provide part-time and summer employment. Meridian will be encouraged to hire from local schools and colleges, as well as residents who have aviation-related experience.

NEXT STEPS

If the CAC makes an affirmative recommendation, an item will be placed on the Council agenda and staff will recommend that Council authorize the City Manager to negotiate and execute a ground lease with Meridian consistent with the terms outlined in this report. The schedule for the approval of the lease through the construction of the Phase 1 improvements is summarized below:

Council Approves Lease	December 2013
Complete Environmental Approval	March 2014
Complete Phase 1 Construction	September 2015

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: Leasehold Plat
Attachment II: Site Plan



37,987 SQ.FT.
0.87 ACRES
(PART OF PHASE I)

DETAIL "A"
(NTS)

PHASE 4
201,419 SQ.FT.
4.62 ACRES
NET 3.75 ACRES

L=253.56'
R=188.48'
D=77°04'50"

PHASE 3
59,448 SQ.FT.
1.37 ACRES

PHASE 2
118,363 SQ.FT.
2.78 ACRES

PHASE 1
314,965 SQ.FT.
7.23 ACRES

TOTAL
LEASE AREA
659,208 sq.ft. +/-
15.13 Acres

WINTON AVENUE

TAXIWAY "Z"

TAXIWAY "Z"

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

N11°34'04"E
145.47'
354.47'
210.82'
S78°25'56"E
P.O.B.

N30°46'08"E
451.67'

CLAWITER ROAD

			CITY OF HAYWARD ENGINEERING DIVISION		MERIDIAN HAYWARD LEASE AREA	DWG. NO. 13005
			DRAWN BY: BDS	DATE 10/18/2013		FILED
			CHECKED BY:	SCALE: 1"=200'		
			APPD. BY:	APPROVED		
REV	DATE	BY	CITY ENGINEER	DIR. PUBLIC WORKS		SHT. 1 OF 1

PHASE 4 15.13 ACRE FULL LEASEHOLD AREA

PHASE 3 11.38 ACRE NET LEASEHOLD AREA

PHASE 2 10.01 ACRE NET LEASEHOLD AREA

PHASE 1 7.23 ACRE NET LEASEHOLD AREA
5.34 ACRE TOTAL USED AREA

