



TO: Council Airport Committee

THROUGH: Fran David, City Manager

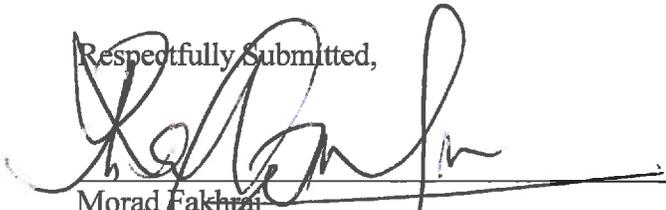
FROM: Director of Public Works – Engineering & Transportation

DATE: July 9, 2014

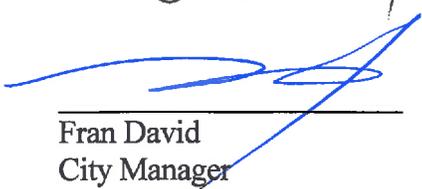
SUBJECT: Addendum to Council Airport Committee Staff Report: Second Amendment to ParkAvion Ground Lease

After the packet for the Council Airport Committee (CAC) meeting scheduled for July 10, 2014 was distributed, including the staff report entitled “Second Amendment to the ParkAvion Ground Lease,” staff received the attached letter from Aviation Training, Inc. On the advice of the City Attorney, we would like to issue an addendum to the ParkAvion staff report and attach a copy of the letter from Aviation Training, Inc.

Respectfully Submitted,



Morad Fakhri
Director of Publics Works - Engineering & Transportation



Fran David
City Manager



DATE: July 10, 2014

TO: Council Airport Committee Members

FROM: Director of Public Works - Engineering and Transportation

SUBJECT: Addendum to Staff Report: Second Amendment to the ParkAvion Ground Lease

ADDENDUM

After the packet for the Council Airport Committee (CAC) meeting scheduled for July 10, 2014 was distributed, including the staff report entitled "Second Amendment to the ParkAvion Ground Lease," staff received the attached letter ("Letter") from Aviation Training, Inc. In order to keep the CAC fully apprised, we are issuing this addendum to the ParkAvion staff report and attaching a copy of the Letter (Attachment I).

In the Letter, reference is made to the leasehold currently occupied by Aviation Training, Inc. (Attachment II). That ground lease will expire in the normal course of business on August 31, 2015. As part of the negotiation for the second amendment with ParkAvion, it was agreed that the City would permit ParkAvion to have a right of first refusal for the next available leasehold, and that is likely to be the leasehold occupied by Aviation Training, Inc.

As indicated in the staff report, ParkAvion will have a due diligence period of 180 days to evaluate the Aviation Training leasehold, beginning no later than January 1, 2015. In the event negotiations are unsuccessful for the Aviation Training leasehold, ParkAvion will be granted a right of first refusal on no more than two additional leaseholds as they become available, subject to due diligence review. In addition, if ParkAvion declines to lease the Aviation Training leasehold, it will then be available for others, including Aviation Training, Inc.

This arrangement was negotiated in lieu of a substantial cash payment to ParkAvion in consideration of land they are voluntarily providing for the construction of a common-area taxiway. In addition, ParkAvion has agreed to renovate the Aviation Training building if they decide to lease it. This is significant in view of ParkAvion's excellent record of accomplishment in constructing a new corporate jet hangar complex and renovating the former Epic Aviation office and hangar complex at the Airport.

After review, the City Attorney advises that the City has no further legal obligation to Aviation Training, Inc. after the expiration of their current lease. In addition, the Federal Aviation Administration permits Airport sponsors to enter into leases by negotiation or solicitation, and the City has taken both approaches in the past.

In view of the legal and business factors outlined above, staff continues to recommend approval of the Second Amendment to the ParkAvion Ground Lease.

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: Aviation Training, Inc. Letter

Attachment II: Aviation Training, Inc. Aerial of Leasehold

AVIATION TRAINING, INC.

P O Box 96
San Lorenzo, CA 94580
415 999 6184

July 7, 2014

Mr. Doug McNeeley
Airport Manager
Hayward Executive Airport
20301 Skywest Drive
Hayward, CA 94541

Dear Mr. McNeeley,

This is an offer and request for a new lease for Aviation Training, Inc. (Plot "F") on the Hayward Airport. The current lease expires on August 31, 2015.

Aviation Training, Inc. (ATI) became the Lessor of Plot "F" on September 1, 1975. At that time ATI invested hundreds of thousands of dollars to improve the property by building a hanger and paving an airplane parking ramp (attached is a rendering of how the building still looks today). During the 39 years ATI has been a model tenant, has always paid it's rent on time and has fully and voluntarily complied with all rules and regulations of the City of Hayward and The FAA.

During the first 25 years of this lease, ATI operated an FAA Approved (Part 141) flight school, and trained literally thousands of pilots, many of whom are currently flying on Commercial Airlines in the US and around the world; many others simply learned to fly for their and their family's enjoyment.

For the past 14 years, ATI has sublet a portion of the Plot "F" premises to Flying Vikings Inc., another FAA Approved (Part 141) flight school. Flying Vikings is currently training pilots to become future Commercial Airline Pilots. ATI currently maintains an office and tie-down area on the Plot "F" premises and engages in the sale of used aircraft.

There are several compelling community reasons to re-lease Plot "F" to ATI – among which are the following: (i) community value in maintaining *small businesses*; (ii) community value in *fostering local business and local entrepreneurs*; (iii) community social and historical value in preserving the *"local" integrity of "local" business folks*; and (iv) community value in *preserving historical land-use "footprints"* (including: (a) existing building sizes, (b) existing auxiliary tie-downs and inter-Plot "F" traffic patterns and (c) existing external-Plot traffic patterns of vehicular ingress and egress).

There are several aviation-related compelling reasons for re-leasing Plot "F" to ATI, among which are: (i) a current, well-recognized severe shortage in current and younger professionally trained US pilots; (ii) a shortage in local authorized and professionally maintained flight training schools, with decades of business and flight training integrity.

AVIATION TRAINING, INC.

Regarding ATI's facility: (i) while the structure is certainly time-tested, safe and well-fit for its purpose, I recognize that it could be updated (an update that ATI would welcome discussing); (ii) while the exterior grounds are again time-tested, safe and fit for its current purpose, I recognize that this too could be updated (ATI would propose to re-surfacing the aircraft and automobile parking areas and redoing all of the landscaping, including planting palm trees at and installing awnings on the front of the building.

Finally, I want to emphasize again that ATI (it's operations, its flight trainers and its countless students) has been a material part of the Hayward Airport since 1975 – in like fashion, the Hayward Airport (its' management, its local and community spirit and its' small business-promoting emphasis) has been a material part of ATI (and myself and my family) for nearly 4-decades!

For the reasons cited above, together with the personal request of this long-time Hayward Airport lessee and business operator, ATI requests an (*American Aircraft Sales style*) new lease (with all reasonable improvement conditions included) for an additional 25-40 years.

Thank you for your kind consideration of this offer and request – if you have any questions, please feel free let me know.

Sincerely,



Jerry Hoffmann, *President*
Aviation Training, Inc.

cc: Jack Schwartz

