



DATE: July 12, 2018

TO: Council Airport Committee

FROM: Interim Director of Public Works

SUBJECT Approval of Minutes of the Council Airport Committee (CAC) Meeting held on April 12, 2018

CALL MEETING TO ORDER

Council Member (CM) Zermeño called the meeting to order at 5:30 p.m. with CM Mendall present. CM Salinas was absent.

City staff: Alex Ameri, Interim Director of Public Works
Doug McNeeley, Airport Manager
Pamela Svrclin, Airport Operations Supervisor
Todd Strojny, Airport Business Supervisor
Amy Toste, Senior Secretary

Members of the public present:

Scott Briggs	Lloyd Emberland	Harry Shin
Bob Burnett	David Gregerson	Jerry Turney
Maggie Cook	Otto Hooks	Kate Turney
Wayne Cook	August Ochabauer	Karla Werninghaus
David Cunningham	Doug Poulton	Christine Young
Drew Detsch	Carlos Rodrigues	Smokey Young

PUBLIC COMMENTS

None.

1. Approval of Minutes for February 1, 2018

Minutes approved as submitted.

2. Airport Capital Improvement Program Update

Airport Manager Doug McNeeley presented the report and discussed the Airport's capital projects from FY 2017 through FY 2019

CM Mendall stated that the annual transfer of approximately \$900,000 from the Airport Operating Budget does not appear adequate to completely fund the anticipated CIP projects. Airport Business Supervisor Todd Strojny outlined the CIP funding process, including transfers of unused funds from a previous year. Interim Public Works Director Ameri added that the CIP has sources of funding beyond the Airport budget such as interest and reimbursements from the FAA and Caltrans.

CM Zermeño stated his support for upcoming capital projects because they improve the safety and security of the Airport while maintaining financial self-sufficiency.

PUBLIC COMMENTS

None.

3. Hangar Occupancy Study

Mr. McNeeley presented the report. A hangar rent study was prepared by the Aviation Management Consulting Group and submitted on March 28, 2017. The results of the study indicated that hangar rents at Hayward were up to 51% below market rate, and on May 2, 2017, staff recommended that rates be increased. Council approved an increase of 10% in FY 2018, with future increases contingent upon hangar occupancy and continued demand for hangar space. Research by staff indicates that current demand remains strong with an occupancy rate of 100% and little change in the number of persons on the hangar waiting lists. Mr. McNeeley also presented information regarding demand for hangars at Hayward.

PUBLIC COMMENTS

Hangar tenant Jerry Turney expressed his opinion that demand for hangar space at Hayward is “soft” and questioned the accuracy of staff’s presentation on this subject.

Hangar tenant Harry Shin expressed his concern that demand for hangar space will be adversely affected by a rental rate increase in FY 2019. He requested copies of previous hangar waiting lists, and Mr. McNeeley stated those copies are being prepared.

Hangar tenant Smokey Young stated that he was originally attracted to Hayward by the comparatively low hangar rental rates, and he indicated that as the result of rate increases at Hayward, he may relocate to another airport. He also suggested that management of the Airport by a private company could result in beneficial cost reductions. Mr. McNeeley responded that he had worked for such a company for fifteen years and provided information on the downside of such an arrangement.

Hangar tenant Kara Werninghaus stated that she had initially placed her name on hangar waiting lists at airports throughout the Bay Area due to the high demand for space, and she expressed a desire to keep hangar rental rates at a level that will allow her to remain at Hayward.

Hangar tenant August Ochabauer stated that rental rate increases should be based upon specific capital needs at the Airport and not market rate.

Hangar tenant Doug Poulton stated that comparisons with other airport hangar facilities should include items such as the age of the structure and capital improvements made over time.

Hangar tenant David Cunningham stated that a comparable hangar at the Reid-Hillview Airport was currently \$577 per month, and that he may consider moving there if Hayward's hangar rental rates keep increasing. Operations Supervisor Pamela Svrdlin noted that she worked at Reid-Hillview Airport until recently, and a comparable hangar rental rate there is between \$606 and \$740 per month, and there is a 100% occupancy rate.

Jerry Turney spoke about Hayward's sources of income in comparison with the with Palo Alto and Livermore airports.

Hangar tenant Otto Hooks remarked that he is retired and lives on a fixed income, and that if hangar rental rates continue to rise at Hayward, he may be forced to move to another airport.

4. Proposed Airport Hangar Rent Increase for FY 2019

Airport Manager Doug McNeeley pointed out an error in the staff report on Page 3, in the Fiscal Impact section. At \$34.00/month for each hangar, the proposed rent increase should be \$7,000.00 per month, which would add an additional \$84,000 per year to the operating budget.

Mr. McNeeley presented the report. He explained that City Council approved a 10% rent increase in May 2017 and left future increases contingent upon continued strong demand for hangar space at Hayward. Staff analyzed the four hangar wait lists between May 2017 through March 2018 and found the number of applicants on the lists remained relatively unchanged and that hangars were rented almost immediately as they became available.

In addition to increased revenue from the rental of City-owned hangars, anticipated new revenue for FY 2019-FY 2021 includes commercial ground leases for two new hotels, a new commercial ground lease for the former American Aircraft Sales leasehold, and a renegotiation of the commercial ground lease for the existing Velo II, LLC. leasehold. However, the Airport will not receive full revenue from the new leases until the construction phase of each project is completed. Therefore, the budget forecast includes deficit years.

PUBLIC COMMENTS

Hangar tenant Andrew Detsch stated that individual and commercial leases at the Airport contain different terms and conditions, which he believes is unfair. He outlined the community services provided by based tenants and stated that these contributions should receive consideration when rate increases are contemplated.

Hangar tenant Harry Shin provided comments regarding the Airport's operating budget. He does not believe a 10% increase in hangar rental rates is justified, and he stated that data presented by staff was selectively used to justify a rate increase (Attachment V in the staff report). Hangar rental rates at the Livermore Airport are determined by CPI and capped at 5%, and he believes Hayward should adopt a similar methodology.

Hangar tenant Douglas Poulton stated that many capital improvements at the Airport primarily benefit the operators of turbine aircraft. Mr. McNeeley stated that all tenants benefit from capital improvements in common areas, such as the rehabilitation of Taxiways A and F that permit access to the Airport's runways. Mr. McNeeley also outlined FAA funding restrictions that impact work on private leaseholds and in revenue-producing areas of the Airport.

Commercial tenant Scott Briggs stated that it is reasonable for tenants in City-owned hangars to pay market rate to ensure the Airport's financial viability. He stated that lease terms and conditions vary between individual and commercial leases because commercial tenants are contractually obligated to fund the cost of construction, ongoing maintenance, utilities, and ARFF service, but individual tenants have no such obligations.

Hangar tenant Kate Turney stated that staff plans capital projects without consultation with tenants, CAC, or Council, and she was critical of the City Manager's ability to authorize expenditures that are under \$75,000 without approval from Council. She also expressed concern about the cost of an upcoming infrastructure study.

Hangar tenant Jerry Turney stated the objection of the Hayward Hangar Group to a 10% hangar rental rate increase at a meeting with Airport staff on April 10, 2018. Mr. Turney would like to maintain an open dialogue and improve the relationship between the tenants and Airport management.

CM Mendall stated he has worked with Director Ameri for five years and that he is confident that Director Ameri is open to discussing Airport issues with tenants. CM Mendall expressed concern regarding the years of deferred Airport maintenance items due to a lack of funding. Because the Airport is financially self-sufficient, unfunded capital improvements can only be funded through revenue from Airport hangar and commercial ground lease agreements. CM Mendall has supported renegotiating commercial land leases to raise additional revenue, and he has also supported an Airport Infrastructure Study to determine the improvements that should be made to City-owned hangars. But significant improvements cannot be made without adequate funding. Therefore, CM Mendall plans to recommend a 10% hangar rent increase to City Council.

CM Zermeño stated that he, too, is open to meeting with tenants about hangar rental rates and facility maintenance. His priorities remain security, safety, and the financial self-sufficiency of the Airport. He supports the Airport Infrastructure Study and he would like to ensure that the Airport budget is adequate to cover the cost of necessary capital projects.

A motion was made by Council Member Mendall and seconded by CM Zermeño, to recommend an increase to hangar rental rates by 10% in FY 2019. The motion passed.

5. Updated 2018 Agenda Planning Calendar

Airport Manager McNeeley presented the updated Agenda Planning Calendar for 2018.

PUBLIC COMMENTS

None

Future Agenda Items

1. Update on Hangar Condition Assessment (July 2018)
2. Update on the feasibility of a U.S. Customs office at HWD (July 2018)
3. Evaluation of Airport Noise Program for CY 2017 (July 2018)
4. Demand for Phase II of Administration Building (October 2018)
5. Update on Promotional Materials for Airport (October 2018)
6. Update on Sulphur Creek Improvement Project (TBD)

Committee Member/Staff Announcements and Referrals

None.

ADJOURNMENT

The meeting adjourned at 6:59 p.m.