



**Questions & Answers**  
**Airport Tenant Meeting**  
FY24 Rent Increase Discussion  
March 21, 2023

**Video Recording:** [Tenant Meeting, March 21, 2023](#)

**PowerPoint Presentation:** [PowerPoint Presentation, Tenant Meeting, March 21, 2023](#)

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

**Members of the public present:**

Seventeen members of the public were present at the Zoom webinar.

**Questions, Answers, and Tenant Comments**

Director Ameri began the meeting at 2:35 p.m. He welcomed everyone and addressed three questions from the previous Tenant Meeting pertaining to the FY23 and FY24 Rent Increases, hosted via Microsoft Teams on February 22, 2023.

- 1. Why was depreciation added as a cost into the Airport Financial Statement?**  
The Finance Department included that information in error and has since corrected it. The impact of the error was not significant.
- 2. Is the combined FY23 and FY24 rent increase of 12% due to staff missing implementation of FY23 increase on July 1, 2023?**  
No, staff did not miss it. We chose to not implement a rent increase on July 1, 2023, and any increase in FY23 rents will not be retroactive. The 12% you are referring to is a combination of about 6% proposed for the remainder of FY23 and a CPI increase for the entirety of FY24.
- 3. Why was 75% of the CPI used in past calculations, and now, staff is using 100% CPI?**  
We have decided to return to the old method of 75% of the CPI for the FY23 and FY24 rent increases. This means the CPI last year was 6%, and so the increase for FY23 is now only 4.5%. The CPI for this year is 5.3%, and so the increase for FY24 is only 4%. If you combine the two amounts, the total for FY23 and FY24 is now 8.5% instead of the 12% total originally presented.

Airport Manager Doug McNeeley presented changes made to the Airport budget and the new rent calculations for FY23 and FY24. The Airport has “transferred out” more funds for the FY24 budget to pay for needed improvements that will cause an operating deficit through FY26. A good portion of the estimated \$1.1 million deficit for FY23 is due to a water bond which was needed to build the Airport’s helipad. The depreciation entries were changed for FY20 and FY21 so there were no net impacts to the fund, and the fund balances have been updated. The proposal for rent increase is, now, to have only 1 rent increase on July 1, 2023, in the amount of 8.5%. Mr. McNeeley described how FY19-FY23 rent increases (\$140,600.00) were reinvested back into the airport. He opened the meeting to questions.

**August Ochabauer – The numbers in the Income & Expense Summary change every time there is a presentation. Why?**

Todd explained that the budget is constantly being updated by the Finance Department during budget season. In addition, the numbers changed due to the depreciation correction.

**August Ochabauer – On Average, the income has decreased by \$500,000 and expenses have increased \$1 million. Why have the expenses increased so much from the previous Financial Sheets?**

Business Supervisor Todd Strojny answered that staff has “Transferred Out” more money to the Capital Improvement Program (CIP) for paving and infrastructure needs that benefit tenants.

**August Ochabauer – Can we assume that Airport must fund 100% of pavement projects?**

- Todd advised, no. We have an unfunded need of \$20 million with \$10 million being Airport’s portion, and the FAA will provide about \$10 million.
- Doug discussed the Infrastructure Bill funding the Airport received, the amount that Centennial Airport received, and why.

**August Ochabauer – Estimates the Airport receives \$2 million/year in rent from the Airport’s non-aviation tenants, but the City of Hayward benefits far greater due to sales tax and property tax incomes. This financial structure is what makes our airport so unique. He was surprised to learn at the last meeting that the land lease tenants have a different rate structure than hangar tenants. Why? Our proposal is to consider treating the hangar tenant rent increases the same way as the land lease tenants. We want to know what the increase will be for the next 5 years.**

**August Ochabauer - Requested to share his screen to show an analysis of projected rent increases if Airport treated both types of tenants the same way. He emailed the document to Airport Operations Supervisor Pamela Svrldin for distribution.**

- Director Ameri appreciated the thoughts and presentation but advised that City rates are not based on forecasts and projections but rather real CPI figures. Because of this, we will proceed with what Council has approved and should they want to change the calculation method in the future, they can.
- Doug explained the different rate structures for individual and commercial tenants. The FAA sets the guidelines; tenants pay different rates because individual tenants do not incur the expense of construction and maintenance.

**Harry Shin – Considers the difference between land lease tenants and hangar tenants a question of fairness. He sees the hangar buildings that were constructed 40 years ago and thinks they are “paid off”. Why do hangar tenants receive a larger increase than land leases?**

**Curt Taylor – When money in the Airport budget is “transferred out”, what does that mean and where does it go?**

- Todd explained that it goes to 1) the Capital Improvement Program (CIP) for hangar repairs and pavement, and 2) Internal Service Fund (ISF) for other City departments (Information Technology, Maintenance Services, Fleet, etc.) for the services they provide to airfield facilities and staff.

**Curt Taylor – How are the FAA grants reflected in the revenues?**

- Todd explained they are in a separate budget, in the CIP, and grants are applied to specific projects.
- Doug offered to share the CIP budget with Curt Taylor.

**Brian Schott – If the City has a rent control policy for landlords at 5% per year, does the Airport look to follow that structure? Or can we expect CPI changes every time?**

- Alex answered that 75% of the CPI is the expectation for every year.

**August Ochabauer – He announced that he sent his spreadsheet to Pamela so that she could share it with everyone.**

- Alex confirmed and advised a link would be added to the CIP budget.

**Drew Detsch – Commented that hangar tenants are a diverse group of people from whom the City Council should hear. He’d like staff to review the tenants’ proposal and to not simply dismiss it. Mr. Detsch would like to see staff and tenants working together more for a better community. Also, he appreciates the revised offer that Staff made today.**

- Alex reiterated the importance of our tenants to the Airport and the ability for meetings to be more all-inclusive being held on a remote platform, especially on a rainy day. He encouraged tenants to attend more CAC meetings, especially since they have been virtual and staff is working to continue that practice. He further explained how basing increases on estimates vs. actual figures could potentially lead to higher than needed increases, and that doesn’t make sense to our tenants.
  - Mr. Detsch responded that the tenants would like to see a 5-year fixed rate like the land lease tenants.

**Shawn Azimi – A tenant of 43 years said he’s never seen such frequent and high increases in rents as have been implemented over the last few years. What makes the FY24 rent increase unfair is how sudden it was announced and the amount, even with the new calculation based off 75% of the CPI. He said that if he pays such a high rent, that he needs to see improvements to the hangars. Hangar Row Q has a bad sand issue from the deterioration of the pavement. This problem is so bad that he can’t**

**open the hangar doors. He feels that the 3% that the tenants presented today is a good compromise.**

- Alex verified that Mr. Azimi listened to the beginning of the meeting when Doug presented the ways in which the Airport has been reinvesting rents into improvements.
  - He did hear that part of the presentation and he wants to give staff his point of view. He will be happy to show Pamela the condition of the pavement around Hangar Q.

**Joe Wlad – Advocated for predictability of a 5-year plan like the tenants presented to Staff today. The 8.5% increase is a high, one-time increase.**

**Jerry LaJoie – Appreciates everyone’s effort but didn’t agree with the Director’s comment earlier about the rent increase being only 65 cents/day. This increase will have a big impact on the tenants who are on fixed incomes. He advocated for the 3% per year increase the tenants presented to City Staff today and asked that it not be completely dismissed by Alex. It should be presented to the City Council.**

- Alex said he will add the spreadsheet August Ochabauer presented today into the report that will be provided to City Council. He explained that he cannot recommend a rate increase based on predicted CPI when, currently, rates are based on actual CPI.

**Jerry LaJoie – Agreed with Mr. Azimi about the issue with sand around Hangar Row Q. He suggested a new seal coat on the pavement and asked for a new seal coat of better quality.**

- Doug said the sealcoat used in the past was per FAA specifications and that complaints were received about loose aggregate.
- Pam added that Airport Staff will be completing the Pavement Management Plan (PMP) in a few months. She said the FAA has recently certified different types of applications to fix pavement and will research the ability for the Airport to use those different applications around the hangar rows.
  - Mr. Lajoie asked for tenants to be asked for input in the selection of new applications. Pamela advised she is open to receiving tenant suggestions and feedback.

**Harry Shin – If there was no rent increase in July 2022, then he assumes it wasn’t needed. Why make it retroactive, now, with the 8.5% increase?**

- Alex feels that Mr. Shin’s question has already been answered.

**Maggie Cook – When is the CPI announced?**

- Todd advised that the CPI is released every other month for the San Francisco Bay Area - December, February, April, etc., six times per year.

**Maggie Cook – Which month do you choose when calculating fees?**

- Todd said that February was chosen this year because the April CPI would be too late and would not allow for proper notification to tenants or time needed for approvals to change the Master Fee Schedule.

**Maggie Cook – Are we increasing rent at 75% of the CPI for each year?**

- Todd said yes, that is the current proposal; 75% of the CPI.

**Maggie Cook – Next year, you will look at the CPI in February and then announce the rent increases to tenants in April?**

- Todd answered affirmatively.

Alex thanked everyone for their participation and comments. Staff will prepare the report for City Council and include the spreadsheet that the tenants provided.

\*\*\*NOTE: This information is provided by the tenants; staff has neither verified it nor is in support of using the projected CPI in lieu of actual CPI

Annual 3% Increase starting FY 2023-2024  
 2023-2024    2024-2025    2025-2026    2026-2027    2027-2028  
 1.0246 ← 5-year average of Whitehouse forecast CPI rates

Hangar Size	Number	2022-2023 Rate	2022-2023 Annual Income	Rental Rates Over 5 Years					2027-2028 Annual Income	% increase over 5 years
				2023-2024	2024-2025	2025-2026	2026-2027	2027-2028		
Small	10	\$ 294.00	\$ 35,280.00	\$ 301.23	\$ 308.64	\$ 316.24	\$ 324.01	\$ 331.99	\$ 39,838.26	13%
Standard	169	\$ 455.00	\$ 922,740.00	\$ 466.19	\$ 477.66	\$ 489.41	\$ 501.45	\$ 513.79	\$ 1,041,960.14	13%
Large T	12	\$ 566.00	\$ 81,504.00	\$ 579.92	\$ 594.19	\$ 608.81	\$ 623.78	\$ 639.13	\$ 92,034.51	13%
Small Executive	1	\$ 982.00	\$ 11,784.00	\$ 1,006.16	\$ 1,030.91	\$ 1,056.27	\$ 1,082.25	\$ 1,108.88	\$ 13,306.52	13%
Standard Executive	6	\$ 1,359.00	\$ 97,848.00	\$ 1,392.43	\$ 1,426.69	\$ 1,461.78	\$ 1,497.74	\$ 1,534.59	\$ 110,490.19	13%
Large Execitive	8	\$ 1,483.00	\$ 142,368.00	\$ 1,519.48	\$ 1,556.86	\$ 1,595.16	\$ 1,634.40	\$ 1,674.61	\$ 160,762.27	13%
Annual Income	Total		\$ 1,291,524.00						\$ 1,458,391.88	13%
Land lease incomde (data from Airport income/expense report)				\$ 1,753,903.00					\$ 1,876,676.21	7%

Hangar rent increase over 5 years  
 Land lease increase over 5 years

Note: We propose no increase for FY 2022-2023.

Link to Whitehouse Report

[Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2024 \(whitehouse.gov\)](https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/02/analytical-perspectives-budget-of-the-u-s-government-fiscal-year-2024/)

Year	CPI Increase
2023	3.00%
2024	2.40%
2025	2.30%
2026	2.30%
2027	2.30%

Average **2.46%**

← This data is the highest forecast CPI from the 4 sources used in the Whitehouse Report

- 1 Whitehouse Economic Analysis
- 2 Blue Chip = Panel of professional forecasters
- 3 CBO = Congressional Budget Office
- 4 Federal Reserve

← This average used to calculate rent increases for 5 years

