

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
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HEART OF THE BAY

Agenda

Thursday, January 12, 2017

5:30 PM

**Airport Administration Building Meeting Room, 20301 Skywest,
Drive, Hayward**

Council Airport Committee

CALL TO ORDER**Pledge of Allegiance: Council Member Zermeño****ROLL CALL****PUBLIC COMMENTS:**

(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items 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, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.)

APPROVAL OF MINUTES

1. [MIN 17-008](#) Approval of Minutes of the Council Airport Committee Meeting on October 13, 2016

Attachments: [Attachment I - Staff Report](#)

REPORTS/ACTION ITEMS

2. [RPT 17-010](#) Airport Budget Review

Attachments: [Attachment I - Staff Report](#)

3. [RPT 17-011](#) Evaluation of Airport Noise Program

FUTURE AGENDA ITEMS**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS****ADJOURNMENT****NEXT REGULAR MEETING**

5:30, THURSDAY, APRIL 13, 2017



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
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File #: MIN 17-008

DATE: January 12, 2017

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Approval of Minutes of the Council Airport Committee Meeting on October 13, 2016

RECOMMENDATION

That the Committee reviews and approves the minutes from the Council Airport Committee meeting on October 13, 2016.

ATTACHMENTS

Attachment I Staff Report



DATE: January 12, 2017

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Approval of Minutes of the Council Airport Committee Meeting on October 13, 2016

CALL MEETING TO ORDER

Council Member (CM) Zermeno called the meeting to order at 5:30 p.m. with CM Márquez present, and CM Mendall absent.

City staff: Morad Fakhrai, Director of Public Works
Doug McNeeley, Airport Manager
David Decoteau, Airport Operations Supervisor
Micah Hinkle, Economic Development Manager
Noemi Dostal, Management Analyst II
Jimmy Vasquez, Airport Operations Specialist
Qiana London, Administrative Secretary

Members of the public present:

Gary Briggs
Tom Panico
Abrar Elahi Siddqui
Ben Henderson

PUBLIC COMMENTS

A Runway Rehabilitation Paving project update was provided by Mr. McNeeley. The project was slated to last seven days but the contractor was able to complete the work in three and a half days. Airport staff was very pleased with the results and received compliments from airport tenants regarding the short turnaround. Grooving work will begin on November 1, 2016, which involves the placement of small channels in the runway pavement to allow for the quick dispersion of water during inclement weather.

Mr. Hinkle gave a presentation on the development of non-aeronautical parcels on airport property. The Economic Development department originally explored bringing in brokerage firms to assist with leasing services. However, it was determined that this service would not

be beneficial or cost-effective. Staff will utilize the City's current license with CoStar to advertise the parcels. Marketing fliers for both parcels have been created and inquiries have been received for the properties. Meetings with developers have been held. Some developers have expressed a preference for purchasing the property. The City will continue to vet interested parties until the right fit for the airport is found.

CM Márquez inquired if marketing materials were brought to the meeting for review. Mr. Hinkle provided samples. She mentioned the new airport monument sign installed at the intersection of Hesperian Avenue and West Winton Avenue and reminded staff that the new Hayward "H" logo should be incorporated whenever possible. Mr. Hinkle responded that there are gateway marker projects underway which will present opportunities to bring the logo to marketing activity going forward, but indicated that the current sign and other products were already in progress.

CM Zermeño indicated that he noticed a post on Facebook that the City has 158,000 plus residents, but the marketing materials state 147,000 and requested that the number be updated. Additionally, he was informed that the airport is the fifth busiest airport in general aviation in the United States. Mr. McNeeley replied that the FAA Hayward control tower is, in fact, the sixty-fifth busiest in the nation based on a combination of Hayward and Oakland air traffic handled by local controllers. Hayward Executive Airport is in the top 200 busiest public use airports based on annual aircraft operations.

CM Zermeño inquired if there were any prospects for the vacant parcels. Mr. Hinkle replied that meetings have been held with hotel developers, but at this time they are interested in purchasing the land as opposed to leasing. He is confident that with more mass marketing and the favorable lease rates that are being offered, more interest will be generated and the right fit will be found.

CM Zermeño officially welcomed Airport Operations Specialist Jimmy Vasquez to the airport. He also thanked the airport for the monument sign at the intersection of Hesperian Boulevard and Winton Avenue. He asked if it needs to be lit at night. Mr. Fakhrai responded that there are long-term plans to improve the corner that include attractive landscaping and lighting. CM Zermeño also thanked the airport for promoting the Open House and encouraging people to visit the airport.

Gary Briggs expressed his appreciation for the quick completion of the Runway Rehabilitation Project. He congratulated staff on a job well done.

1. Approval of Minutes for July 14, 2016

Minutes approved as submitted.

2. Ground Lease for Byculla Homes

Airport Manager Doug McNeeley provided an overview of the staff report. The site is located near the intersection of W. Winton Avenue and Clawiter Road and does not impact the twenty

acre California National Guard (CANG) site. Staff was approached by Byculla Homes, a private company based in Fremont that operates one corporate jet. Upon initial contact, staff provided Byculla with contact information for available hangars. However, they prefer to build their own hangar that is 17,500 square feet in size. The term proposed for the lease is fifty years based on the amount of investment. Staff estimates that the proposed hangar will be in the \$1.5 to \$2.0 million range. Byculla has requested the first option to lease the adjacent 3.17 acres to construct additional hangars. Staff is favorably disposed provided that Byculla pays \$0.10 per square foot, per year to hold the land. This is in addition to the capital improvements that they are making and a one-time ARFF contribution of \$5.00 per square foot of new hangar space.

CM Márquez inquired about revenue projections based on the rental rates. She asked if the rates go into effect once a lease agreement has been executed. Mr. McNeeley clarified that Byculla has an option for the adjacent 3.17-acre site that they can exercise if they choose to, and they would pay additional rent for the privilege.

CM Márquez asked if the size of Byculla's hangar is comparable to other hangars at the airport, and Mr. McNeeley indicated it would be somewhat smaller than the hangars currently being constructed by Meridian and APP Jet Center. Mr. McNeeley confirmed that Byculla will be responsible for all construction costs and that they will not be a Fixed Base Operator (FBO). CM Marquez also asked if there have been any other potential companies interested in the same site within the last year or two. Mr. McNeeley responded that there have been none.

CM Zermeño asked about the schedule for rent increases. Mr. McNeeley responded that rent will increase in increments until a certificate of occupancy is received. Once received, the rate becomes \$0.32 per square feet, per year.

CM Zermeño asked for clarification on the location site of the new Meridian hangar. Mr. McNeeley clarified that it is adjacent to Tuskegee Drive.

CM Márquez made a motion to recommend the item to Council. CM Zermeño seconded the motion.

Gary Briggs asked for additional information on Byculla Homes.

Mr. Fakhrai said that additional information will be provided.

The Committee unanimously recommended this item for Council action.

3. Evaluation of Airport Noise Program

Airport Operations Specialist, Jimmy Vasquez, provided an overview of the airport noise program in lieu of a staff report. He stated that this quarter compares four months of data so the numbers may appear a bit higher as opposed to the previous report which compared two months. The largest number of complaints in comparison to operations was received in the month of August as a result of a local flight by a Reno Racer aircraft. Mr. McNeeley noted the

pilot must run the engine in flight to make adjustments prior to the race, and that it has a unique noise signature. The pilot has been extremely cooperative in the past when asked to reduce noise to the extent possible, and in this case he did not violate the airport noise ordinance.

CM Márquez inquired about the hours of operation for the FAA Hayward air traffic control tower. Mr. Vasquez responded the hours are from 7:00 a.m. to 9:00 p.m.

CM Márquez asked if there is a short list of frequent offenders and how the incidents are tracked. Mr. Vasquez replied that there is currently only one repeat offender. Mr. McNeeley clarified that letters are sent to aircraft operators that exceed established noise limits and these are usually effective. Other measures can be taken inclusive of, but not limited to monetary fines for non-compliance.

Mr. Decoteau added that operators may change flight crews and the new pilots may be unfamiliar with our procedures. Airport staff ensures that newer crews are provided with noise abatement information.

CM Márquez clarified that the letters are tailored to individual instances. Mr. McNeeley confirmed that they are tailored to the individuals and are highly effective.

CM Zermeño inquired about noise complaints received from residents in other cities. Mr. Vasquez noted that airport staff responds to each noise complaint received, but a large volume of calls are typically not received from residents in other cities with the exception of San Leandro.

4. Ground Lease Extension for Air Plaza, LLC.

Agenda item added by two-thirds vote as requested by Mr. Fakhrai.

Mr. McNeeley gave an overview of a proposed lease for Air Plaza, LLC. and their site location. Staff is proposing a new lease term of thirty years, and in consideration, Air Plaza will make significant interior and exterior capital improvements in the amount of approximately \$350,000, which would be completed in phases. There will be an option for early expiration of the lease upon mutual agreement.

CM Márquez inquired about sustainability features, specifically solar panels. Mr. McNeeley replied that the owner of the building is amenable to utilizing sustainability materials. However, solar panels were not discussed specifically due to size and light impacts to aircraft in flight that must be taken into consideration. Reusable materials and other energy efficient items will be utilized. Any additional changes made would be subject to review by the City and would have to meet code requirements.

CM Márquez asked if the proposed payment increment structure has been utilized before. Mr. McNeeley confirmed that it has been used before with Meridian Hayward.

CM Zermeño asked if there are other tenants who may need to renovate their facilities or readjust their current rent payment structure. Mr. McNeeley indicated that there are a few others. However, staff approached Air Plaza with the idea of renegotiating the rental rates.

CM Márquez inquired whether there is a timeline in place for completion of the improvements. Mr. Fakhrai replied that the work has to be completed within two years.

CM Márquez made a motion to recommend the item to Council. CM Zermeño seconded the motion.

The Committee unanimously recommended this item for Council action.

PUBLIC COMMENTS

None

5. Proposed Meeting Change

Agenda item added by CM Zermeño.

CM Zermeño proposed that future CAC meeting dates be changed due to a conflict with HASPA meetings. Mr. Fakhrai suggested that the month of occurrence change by one month. For example, instead of every three months, CAC meetings would occur every four months. However, the week and day would remain the same. He asked if the topic could be revisited after further planning and discussion.

CM Márquez recommended that, due to CM Mendall's absence, the City Manager's office provide options via email for further discussion.

Mr. Fakhrai agreed that the calendar should not be changed at this time.

CM Zermeño was in favor of changing the month going forward.

Committee Member/Staff Announcements and Referrals

CM Márquez inquired about the status of an agenda item regarding the airport budget. Mr. Fakhrai replied that staff was unable to provide the information for this meeting and that the preference would be to have a full committee present. Staff will try to have the information for the next meeting. He clarified that it will be a brief presentation.

CM Márquez appreciated the presentation from Mr. Hinkle. However, she would prefer that future presentations be added to the agenda so that the public can ask questions if necessary. She also requested that Mr. Hinkle be available for questions from the public.

Mr. Fakhrai responded that efforts will be made to provide advance notice in the future.

Mr. McNeeley reminded everyone about the upcoming annual Airport Open House on Sunday, October 16, 2016.

Next CAC meeting is proposed for January 12, 2017.

ADJOURNMENT

The meeting adjourned at 6:24pm.



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File #: RPT 17-010

DATE: January 12, 2017

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Airport Budget Review

RECOMMENDATION

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

ATTACHMENTS

Attachment I Staff Report



DATE: January 12, 2017

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Airport Budget Review

RECOMMENDATION

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

BACKGROUND

Hayward Executive Airport is a division under the Public Works Department and operates as a financially independent enterprise fund. Through the administration of user fees and charges, and federal and state grants, the Airport pays for all of its operations, including transfers to fund a Capital Improvement Program (CIP), with no subsidy from the General Fund. Federal Aviation Administration (FAA) policy requires airports to take steps to achieve financial self-sufficiency.

DISCUSSION

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Accordingly, the Airport produces all the revenue needed for daily operation and for capital improvement projects. The City's General Fund does not support airport operations.

Revenues

The Airport receives revenue from ten different sources, but primarily from the rental of space. For example, the Airport owns and operates 206 T-hangars that are rented to individuals and companies with aircraft, and it rents outdoor parking spaces for aircraft, office space and both improved and unimproved land for use by commercial operators. The Airport also receives commissions from the sale of aviation gas and jet fuel and generates revenue from services performed for airport tenants, such as pavement sweeping, weed abatement, and hangar clean-up.

Rent rates for City-owned hangars and outdoor parking spaces are approved by Council and published in the City's Master Fee Schedule. Periodic rent increases for City-owned hangars

and parking spaces are based upon 75% of the Bay Area Consumer Price Index (CPI) and Fair Market Value (FMV) appraisals alternating every two years. Rent rates and periodic increases for commercial operators are individually negotiated, but more recently include increases based on CPI and FMV as outlined above.

Staff is making progress in generating new revenue. Some of the older leasehold agreements used old methods to determine annual rent. As opportunity allows, staff will work with long-term tenants to modify those older agreements and make them consistent with current standards. The recent opening of the Meridian Hayward Fixed Base Operation will result in new annual lease income of \$126,552 for Phase I of the project. Annual lease income will increase once all phases of the project are completed by or before 2028. In general, the projected revenue from space rental has been conservatively calculated and will likely exceed the amounts currently projected for the next several years.

The Airport also receives a percentage of revenue from fuel sales in the amount of \$0.05 per gallon or 3% of gross fuel revenue, whichever is greater. Meridian and the APP Jet Center are expected to generate additional revenue from fuel sales in FY 2017 and beyond.

Staff is also working diligently to lease additional space dedicated to both aeronautical and non-aeronautical use. One preliminary negotiation currently underway is for a leasehold on the former California Air National Guard site. Economic Development is also in preliminary discussions with a tenant for non-aeronautical use for two parcels on Hesperian Boulevard.

Surplus revenue generation will permit the Airport to fund additional capital projects to enhance safety and improve infrastructure. These projects are outlined in the current CIP budget. Staff has been successful in receiving grants from the FAA and Caltrans for capital projects. In FY 2016, the Airport was awarded grants in the amount of \$1.6 million to rehabilitate the pavement on Runway 10R-28L.

Expenditures

Expenditures for the airport include items such as personnel costs, facility maintenance, utilities, supplies, insurance, and personnel training. Expenses include internal charges for items such as vehicle and equipment maintenance and replacement. They also include cost allocations and fees for services provided by the City's general fund departments, such as financial accounting, human resources, and legal counsel. The largest expense is personnel followed by cost allocations/internal service fees followed by non-personnel costs.

FISCAL IMPACT

<u>Airport Fund</u>						
	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted	FY 2017 Projected	FY 2018 Budgeted
Beginning Fund Balance	2,539,340	2,722,381	2,670,011	2,943,413	2,761,162	2,951,667
Total Revenues	3,384,168	2,998,419	3,277,503	3,204,182	3,195,731	3,372,101
Total Expenditures	3,201,127	3,050,789	3,004,101	3,386,433	3,005,227	3,530,062
Annual Surplus/(Shortfall)	183,041	(52,370)	273,402	(182,251)	190,505	(157,961)
Ending Fund Balance	2,722,381	2,670,011	2,943,413	2,761,162	2,951,667	2,793,706

As seen in the above table, over the past recent years, operating revenues have exceeded operating expenditures through the careful monitoring of expenses and other measures by staff. An operating budget surplus of approximately \$190,000 is projected in FY 2017.

In FY 2017, the adopted Airport Fund balance was approximately \$3 million. This balance was projected to cover anticipated expenditures. The Airport also maintains a separate emergency reserve of approximately \$5 million, which by direction of Council, is only available for use in the event of unforeseen circumstances or for special projects.

It should also be noted that the Airport provides other benefits to the City. Per an independent study previously commissioned by the State for all California airports, the Airport provides 300 jobs and \$300 million in annual economic impact and provides valuable public services including emergency medical, law enforcement, media, and humanitarian flights. The City realizes General Fund revenue from aircraft property tax which varies from year to year and has averaged approximately \$600,000 annually over the past ten years. The tax is collected by Alameda County, and supports Alameda County, the Hayward Public School District, the City's General Fund, and other taxing entities in Alameda County.

SUSTAINABILITY FEATURES

Staff ensures all projects and developments proposed at Hayward Executive Airport meet or exceed the sustainability requirements of the City.

PUBLIC CONTACT

The Airport operating and capital improvement budgets are reviewed by Council in public session each year. Discussions regarding the budget for individual capital projects as well as overall budget discussions are held at meetings of the Council Airport Committee (CAC).

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager



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File #: RPT 17-011

DATE: January 12, 2017

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT

Evaluation of Airport Noise Program

RECOMMENDATION

There is no staff report at this time. Staff will make an oral presentation during CAC meeting.

ATTACHMENTS

None