



DATE: September 19, 2019

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT: Hangar Condition Assessment – Project Update

RECOMMENDATION

That the Council Airport Committee (CAC) reviews and comments on the information provided in the staff report.

SUMMARY

The FY 2019 Capital Improvement Program for Hayward Executive Airport (HWD) includes a Hangar Condition Assessment (HCA) project to physically evaluate Airport-owned hangars. To accomplish this project, airport staff issued a Request for Proposals (RFP) and selected Kimley-Horn as the primary consultant. In turn, they selected subcontractor Faithful+Gould to perform the on-site work based in part on their building evaluation experience at airports. The HCA was conducted in August 2018. The hangars were originally constructed in phases over a period of years, and the report concluded that they are all in serviceable condition with ratings of “fair” to “poor.” A capital budget of \$16.6 million is recommended to address current needs.

BACKGROUND

The Hayward Executive Airport (HWD) operates as a financially independent enterprise fund. Through the administration of user fees and charges, as well as federal and state grants, the Airport finances all its operations, including a Capital Improvement Program (CIP). The Airport’s ten-year CIP budget is estimated at \$26.2 million and includes projects primarily intended to enhance safety and capacity at the Airport.

The Airport owns and maintains twenty-one structures, including a control tower building, a maintenance shelter, and nineteen hangar buildings. These structures vary in age and condition, and all are in current use. Although the hangar buildings are in serviceable condition, known issues include roof leaks and difficulties in the operation of sliding doors. The airport maintenance staff provides routine repairs and responds to tenant requests. However, given the age of the structures and the nature of the issues, further study was deemed necessary before extensive repairs or rehabilitation work was undertaken.

DISCUSSION

After soliciting consultants through a Request for Proposals (RFP), Kimley-Horn, along with their subconsultant Faithful+Gould, were selected to perform the Hangar Condition Assessment (HCA). The assessment, which included all City-owned hangars, was conducted over the course of one week in late August 2018. A detailed assessment of the condition of each hangar was produced and submitted for review in November 2018. Later, an executive summary was drafted, reviewed, and finalized (Attachment II).

Report Findings

Hangar Conditions

A Facility Condition Index (FCI) is utilized by Faithful+Gould to determine the condition of a structure. By definition, the FCI is the current maintenance, repair, and replacement deficiencies divided by the current replacement value. Facilities noted as “good” have a score from 0% to 5%, “fair” structures score between 5% and 10%, “poor” includes values from 10% to 60%, and “very poor” is over 60%. Of the twenty structures analyzed, one scored as “good,” eight scored as “fair,” and the balance (eleven) scored as “poor.” The aggregate FCI score was 9.9%, between “fair” and “poor.” Of the eleven structures highlighted in the “poor” category, the scores were in the very upper end of the category. The estimated useful life remaining varies for each building due to the date of construction. The evaluation process is somewhat subjective and is utilized to highlight current needs, as well as the amount of expenditure required to extend the useful life of each structure. If the hangars are not improved over time, the total FCI score will decline.

Capital Expenditure Needs

The HCA notes two classes of expenditures: 1) immediate capital needs; and 2) total capital needs over the next ten years. Approximately \$7.9 million of the total of \$16.6 million is considered an immediate capital need, which is defined as projects that will elevate hangar conditions to a “fair” level. The total need is as follows:

	PROJECT TYPE	NUMBER OF BUILDINGS	AMOUNT
1	Hangar Door Replacement	19	7,309,250
2	Roof Replacement	20	7,019,061
3	Electrical Refurbishment	20	1,181,085
4	Slab Repair	19	887,800
5	Exterior Repainting	9	97,610
6	Flooring Finish Replacement	5	24,316
7	Plumbing Assessment	7	20,625
8	Ceiling Tile Replacement	2	15,300
9	Window Replacement	1	9,553
10	Water Heater Replacement	5	5,238
11	Interior Plumbing Replacement	1	1,531
12	Millwork Replacement	2	1,497

As highlighted above, the majority of expenditures are classified as either hangar door replacements, roof replacements, electrical refurbishments, or slab repairs. On average, each of the 19 hangar buildings will require an investment of approximately \$350,000, or an average of \$32,200 per hangar, to achieve a “fair” FCI. The larger projects, such as roofing and hangar doors, will be completed in phases over the next 10 years based on condition. Those hangars with clear deficiencies will be addressed first and are discussed in greater detail below.

Priority Level

The HCA further classified the expenditures into one of three categories of priority:

- Priority 1 – Currently Critical
- Priority 2 – Potentially Critical
- Priority 3 – Necessary/Not Critical

Most of the expenditure above can be classified as Priority 3.

Level of Need Related to Allocation in Capital Improvement Program

Attachment III includes a copy of the Airport’s Capital Improvement Program for FY 2020 through FY 2029. Hangar improvement expenditures for the next ten years are noted in yellow highlight. About \$3.1 million is scheduled to be spent during that time, which represents approximately 40% of the total immediate need of \$7.9 million. While most of the funding is derived from Airport Operating funds, the rent increases of \$50,000 per year through FY 2022 support these improvements.

Airport staff worked with the consultant to identify and prioritize specific projects that matched the annual funding amounts in the CIP. This draft schedule of prioritized projects/expenditures was then presented to interested tenants at a meeting in July.

Cost-Benefit Analysis

The chart below notes the year each hangar building was built, the useful life of both the hangar doors and roof, as well the cost to replace each building.

Hangar Building	Year Built	Useful Life (Roof)	Useful Life (Door)	Total Cost to Replace Building
EX 1	1978	30 (2008)	30 (2008)	5,568,000
EX 2	1988	30 (2018)	30 (2018)	8,832,000
A	1950	20 (1970)	30 (1980)	2,611,200
B	1968	30 (1998)	30 (1998)	3,673,600
C	1968	30 (1998)	30 (1998)	3,673,600
D	1968	30 (1998)	30 (1998)	3,673,600
E	1968	30 (1998)	30 (1998)	3,712,000
F	1983	30 (2013)	30 (2013)	3,315,200

Hangar Building	Year Built	Useful Life (Roof)	Useful Life (Door)	Total Cost to Replace Building
G	1983	30 (2013)	30 (2013)	3,315,200
H	1978	30 (2008)	30 (2008)	3,315,200
I	1978	30 (2008)	30 (2008)	3,315,200
J	1983	30 (2013)	30 (2013)	3,315,200
K	1983	30 (2013)	30 (2013)	3,315,200
L	1983	30 (2013)	30 (2013)	3,315,200
M	1983	30 (2013)	30 (2013)	2,649,600
N	1988	30 (2018)	30 (2018)	4,736,000
O	1988	30 (2018)	30 (2018)	5,542,400
P	1988	30 (2018)	30 (2018)	5,542,400
Q	1988	30 (2018)	30 (2018)	5,260,800
Maintenance Bay	1988	30 (2018)	30 (2018)	1,037,500

Most of the hangars were built over ten years between 1978 and 1988. For each building, both the roof and door systems have exceeded their useful lives. Please note that the term “useful life” is primarily used for accounting purposes to establish a depreciation schedule and does not suggest an absolute life limit for a structure. Although the total cost to replace each building reflects other variables, such as slab and electrical systems, the two most costly are associated with the roof and door and comprise a significant amount of the replacement cost.

The total replacement value (i.e., reconstructing each building) is almost \$80 million. However, the preferred option, which is to improve key hangar systems over time, will cost considerably less at \$16.6 million and extend the useful life of each without the cost of replacement.

Hangar Repair Plan for FY 2020

As noted in the chart below, staff is proposing to spend approximately \$1.5 million on certain projects during FY 2020. Many of the less complex projects, such as exterior repainting, flooring finish replacements, plumbing assessments, and ceiling tile replacements, will be funded through an existing project in the CIP. The more costly projects, such as hangar door repairs to the A hangar building, as well as roof repairs to the H and I hangar buildings and Executive hangar 1, may be funded through a loan or the issuance of bonds.

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POTENTIAL USE OF FUNDS IN FY 2020

PROJECT	FUNDING SOURCE	AMOUNT
Items 5-12 from list	CIP	175,670
Hangar doors - A row	TBD	234,000
Roof repair - Executive 1	TBD	549,188
Roof repair - H row	TBD	284,253
Roof repair - I row	TBD	284,253

Meeting with Tenants on July 17, 2019

City staff and representatives from Kimley-Horn and Faithful+Gould met with tenants and provided an overview of the results from hangar condition assessment on July 17, 2019. The full HCA report is posted on the Airport's website for public access via the following weblink:

<https://www.hayward-ca.gov/sites/default/files/airport/Full%20Hangar%20Condition%20Assessment%20Report.pdf>

ECONOMIC IMPACT

Infrastructure recommendations from the study that are to be incorporated into the Airport's Capital Improvement Program will foster employment opportunities for firms associated with the building trades. Furthermore, these projects will enhance the airport's desirability to the flying community and attract new customers that may purchase fuel, use local limousine and car rental companies, and patronize local restaurants and hotels.

FISCAL IMPACT

The Airport CIP has \$3.1 million scheduled for hangar improvements over the next ten years. In order to accommodate the full need of \$16.6 million, another source of funding will be required. One potential option includes pursuing either a loan or a bond in the amount of \$13.5 million, with payments distributed over a fifteen to twenty-year timeframe. Staff will continue to search and apply for Federal, State, or regional grants related to infrastructure improvements; however, grants are not typically available for revenue-producing projects.

As Airport Capital Improvement Program projects rely solely on revenues derived from Airport operations and monetary grants from the Federal Aviation Administration (FAA) and Caltrans, this project will not impact the General Fund.

STRATEGIC INITIATIVES

This agenda item pertains to the infrastructure and/or maintenance of various buildings located at the airport and does not directly relate to one of the Council's Strategic Initiatives.

SUSTAINABILITY FEATURES

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

PUBLIC CONTACT

Airport staff discussed the HCA as part of the April 13, 2017 and July 6, 2017 CAC meetings. In addition, the HCA has been informally discussed with tenants. This topic was discussed in a report at the CAC meeting of October 12, 2017 and approved by the CAC on February 1, 2018. Furthermore, the consultants briefed the tenants on the assessment process on August 27, 2018. As mentioned earlier, a follow-up meeting discussing assessment results and the FY 2020 expenditure plan was presented to tenants on July 17, 2019. As noted earlier, the Hangar Condition Assessment report is posted within the airport's section of the City's website.

NEXT STEPS

CAC Approval of FY 2020 Improvements	September 19, 2019
RFP/Selection of Contractors	November/December 2019
Award of Contracts	January 2020

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager