



DATE: November 10, 2020

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Approving the Deferment of Hanger Rent Increase and Reinstatement of the 2021 Hangar Rent Increase at Hayward Executive Airport

RECOMMENDATION

That Council adopts a resolution (Attachment II) approving the deferment of hangar rent increases from July 1, 2020, to December 31, 2020 as previously recommended by the Council Airport Committee, and directing staff to reinstate the previously approved 5% increase to standard hangar rents (and all other sized hangars by 2.5%) effective January 1, 2021.

SUMMARY

As with other sectors of the economy, the Hayward Executive Airport has been affected by the ongoing COVID-19 health pandemic, although the impact has been far less than at commercial airports. The Airport initially experienced reduced traffic volume but aircraft operations have increased throughout August and September and now approximates the number of operations from 2019 at this same point in time. In addition, other positive trends have occurred, such as increases in flights and fuel sales, as well as low hangar vacancies. After evaluating the positive data from the past two months that suggest a return to regular, pre-pandemic operational levels, Airport staff is recommending that the previously approved 5% hangar rent increase go into effect on January 1, 2021.

BACKGROUND

In order to better align current rents with existing market rates, on January 15, 2019, the Hayward City Council approved annual standard sized hangar rent increases of 5% (and all other hangars by 2.5%) from fiscal year 2019 through fiscal year 2022. While the FY 2019 and FY 2020 increases were implemented as planned, the ongoing COVID-19 pandemic starting in early 2020 has disrupted activity at many general aviation airports across the country, including Hayward Executive Airport (HWD).

Given the economic uncertainty, and out of consideration for individual tenants in City-operated facilities, at the July 23, 2020¹ Council Airport Committee meeting, the Committee directed staff to defer the FY 2021 rent increase until such time that operations have improved to a point that is comparable to pre-pandemic levels.

DISCUSSION

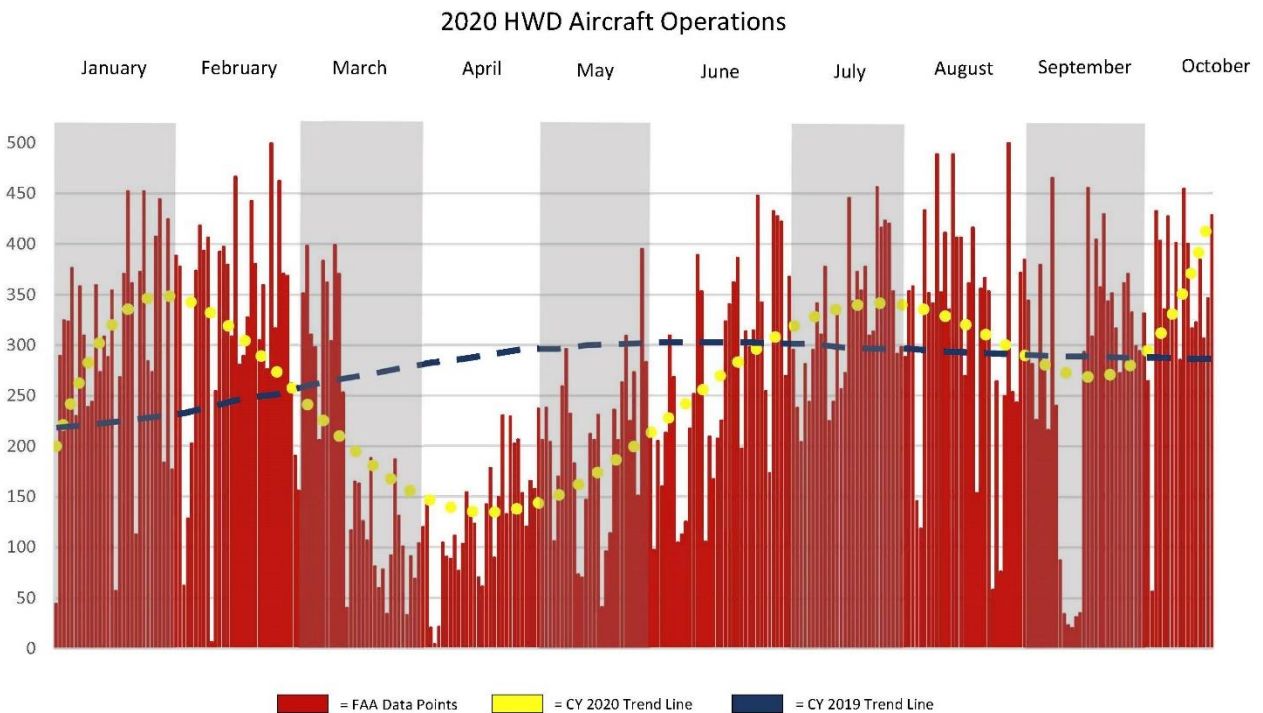
To help control the spread of COVID-19, shelter in place orders were issued by cities and counties throughout the United States that presented challenges for air travel. These orders, the need for social distancing, and an incomplete understanding of all the ways in which COVID-19 may be transmitted created anxiety and deterred the scheduling of general aviation flights, particularly international flights. The chart on page 3 depicts the total number of operations from January 1, 2020 through September 19, 2020 and depicts a decline in daily aircraft operations at HWD in March 2020 that coincided with the first Alameda County shelter in place order. General aviation airports throughout the country experienced a similar decline.

Since that time, there have been positive developments:

- Aircraft operations have rebounded at HWD in a shape that economists refer to as a “swoosh” pattern similar in appearance to the well-known Nike logo. This steady and continuous improvement, which now approximates that of pre-pandemic levels as noted by the FY 2019 trend line, is depicted in the chart on page 3.
- The total number of gallons of aviation fuel sold (Avgas and Jet Fuel combined) have increased from 53,414 in April to 164,814 in August, an improvement of 209%.
- CTP Aviation, a large FAA Part 135 on-demand charter company based at HWD, reported increased inquiries and charter bookings throughout the summer. NetJets, the largest jet charter and management company in the world, reports a “rush” in interest from new customers.
- Of 206 hangars operated by the airport, 9 are currently vacant with applications currently in process to bring the occupancy level to 100%.

In consideration of this influx of positive data from August and September, Airport staff is recommending reinstatement of the deferred rent increase effective on January 1, 2021.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4594029&GUID=0EC5337A-19AF-441E-AD10-22F5D5795783&Options=&Search=>



ECONOMIC IMPACT

For the full fiscal year, a standard hangar tenant was to pay an additional \$21 per month, or \$252 for the year, in FY 2021 with the proposed 5% adjustment. With the implementation date deferred to January 1, 2021, tenants will instead pay an additional amount of \$126 for the balance of the fiscal year.

FISCAL IMPACT

The rent increase is expected to generate an additional \$26,000 in revenue for FY 2021.

STRATEGIC ROAPMAP

The additional rent generated from this increase supports the Strategic Priority to Improve Infrastructure. Specifically, this item relates to the implementation of the following project:

Project 11, 11d: Design and Construct Capital Improvements to Airport Hangars

SUSTAINABILITY FEATURES

This report does not pertain to any sustainability features.

PUBLIC CONTACT

The Council Airport Committee discussed the rent deferment at the July 23, 2020² meeting. In addition, the agenda and staff report for this item have been posted on the City's website and distributed to interested parties.

NEXT STEPS

If approved, Airport staff will implement the increase on January 1, 2021 as there is a requirement to notify tenants of the change at least thirty days in advance.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written over a horizontal line.

Kelly McAdoo, City Manager

² <https://hayward.legistar.com/LegislationDetail.aspx?ID=4594029&GUID=0EC5337A-19AF-441E-AD10-22F5D5795783&Options=&Search=>