



CITY OF HAYWARD

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Cover Memo

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DATE: April 25, 2023

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Airport Rental Rate Adjustment: Adopt a Resolution Amending the FY24 Master Fee Schedule and Adjusting Hayward Executive Airport Hangar Rental Rates

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing an amendment to the FY24 Master Fee Schedule, which would increase monthly Airport hangar rental rates by 8.5%; and implements changes to the Master Fee Schedule for FY24, which would increase monthly rents associated with storage rooms, office spaces, and tiedown spaces by 8.5%.

SUMMARY

The Airport operates as an enterprise fund and relies solely upon the revenue it generates to fund its operating and capital improvement budgets. Accordingly, the Airport does not receive any financial support from the City's General Fund.

Airport staff regularly monitor the operating budget to reduce costs and adjust revenue so that the Airport can remain in good financial health. For example, commercial rents were increased in January of 2023 by the maximum-allowed amount of 7%. Staff has also been successful in applying for and receiving monetary grants from the Federal Aviation Administration (FAA) and California Department of Transportation (Caltrans) to fund capital projects, totaling approximately \$3 million over the past ten years. The objective, in conformance with Council directives and FAA standards, is to become and remain financially self-sufficient.

During 2017, a rental rate study was conducted by an independent consultant that determined rental rates were 51% below the market rate. Due to the findings from the study, staff recommended an annual increase of 10% per year over five years. However, after extensive discussions with tenants, an agreement was reached that considered annual increases of 2.5% to 5% per year during the next four fiscal years. On January 15, 2019, Council approved a series of annual rental increases for hangar tenants that reflected the revised percentages. Standard-sized hangars increased by 5% annually, and other types of hangars were increased by 2.5%. These increases were implemented over four fiscal years (from FY19 through FY22). Going forward, staff used objective criteria, past practice, a needs analysis, and current

policies to establish new rental rates for FY23:

- Current hangar rental rates at nearby general aviation airports
- The cost of future capital projects to improve infrastructure and enhance safety
- Current and historical Consumer Price Index (CPI) rates for the San Francisco Bay Area (all consumers)

According to the latest data from October, the annual CPI increase for FY23 was 6.0% and 5.3% for FY24 (measured from February 2022 to February 2023). The CPI data was discussed with tenants during two meetings held in February and March. In order to lessen the financial impact to tenants, staff proposes a one-time increase of 8.5% effective July 1, 2023, that takes into consideration 75% of the CPI for FY23 (4.5%) and 75% of the CPI for FY24 (4%). The 4.5% increase for FY23 will not be collected.

In addition to hangar rent increases, Airport staff is also recommending adjustments to the FY24 Master Fee Schedule by 8.5% for hangar storage rooms, office spaces, and tie down spaces.

Discussion with Council Airport Committee and Members of the Hangar Tenant Community

This item was considered at the Council Airport Committee (CAC) meeting of January 26, 2023. While CAC members were generally supportive of the rate adjustments, they requested that Airport staff meet with the tenants to discuss the proposed increases.

On February 22, 2023, Airport staff held an online meeting with tenants to present the proposed rent increases and address questions and concerns. A follow-up meeting was held on March 21 to further discuss the rate increase. Tenants proposed a series of rent increases over the next five years that would vary between 2.3% and 3.0% per year and were tied to the future CPI forecast issued by the White House. However, this proposal is not in conformance with current policies related to CPI increases, which utilize year-over-year actual CPI changes for the San Francisco Bay Area to determine the adjustment.

ATTACHMENTS

- Attachment I Staff Report
- Attachment II Resolution
- Attachment III Airport FY23 Budget Forecast
- Attachment IV Tenant Q&A, March 21, 2023