



CITY OF HAYWARD

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Cover Memo

File #: PH 19-004, **Version:** 1

DATE: January 15, 2019

TO: Mayor and City Council

FROM: Interim Director of Public Works

SUBJECT

Hayward Executive Airport Hangar Rental Rates - Amendment to FY 2019 Master Fee Schedule

RECOMMENDATION

That the Council adopts the attached Resolution (Attachment II) authorizing an amendment to the FY 2019 Master Fee Schedule, which increases Airport standard hangar rental rates by 5% in FY 2019 through FY 2022 and all other sized hangars by 2.5% in the same years.

SUMMARY

In May 2017, staff recommended 10% increases per year on rental rates for City-owned hangars at the Hayward Executive Airport for five consecutive years, beginning in FY 2018, to implement recommendations of a City-sponsored hangar rate study to move a step closer to parity with comparable and competitive airports and financial self-sufficiency at the Airport. The City Council approved a 10% increase for FY 2018 and conditioned consideration of future increases upon continued demand for hangar space as indicated by occupancy rates and waiting list lengths. In the more than a year following the last rate increase, occupancy rates have remained at 100% and waiting list volumes have remained generally consistent before and after the rent increase. The adopted FY 2019 City budget indicates operating deficits at the airport in future years, so implementation of rate increases is still necessary.

Staff has had numerous meetings with tenants, received their concerns and comments, and has developed an alternative rate adjustment structure that would result in increases of substantially less than 10% annually, and which would be implemented over the next four years. For standard sized hangars, which had the largest deviation from market rates at 51%, staff proposes increases of 5% per year for the next four years. For other sized hangars, given their smaller deviation from the market rates and further input from the tenants, staff is recommending rate adjustments of 2.5% per year for four years.

Council Airport Committee Action

The rent increase was last discussed with the CAC on April 12, 2018 and CAC recommended a 10% rate increase for FY 2019 for Council consideration. However, the Committee also urged staff and the hangar

tenant community to discuss the issues and try to find a solution that can address the rent disparity and the financial needs at the Airport while being more amenable to the tenants. This Council action is a follow up to that April 2018 CAC meeting. There was delay in bringing this back to Council because of the desire to meet with the tenants to attempt to develop a mutually agreeable solution and to wait for a response from the FAA on the complaint mentioned below.

Federal Aviation Administration (FAA) Determination

As a recipient of FAA-administered financial assistance, the City is obligated to agree to certain assurances, including making the airport available for public use on reasonable terms, and maintaining a fee and rental structure that will make the airport as self-supporting as possible. The Hayward Hangar Group (HHG) submitted letters to the FAA asserting that the City had violated the federal grant assurances. The Western Pacific Region-Airports Division of the FAA conducted a thorough review of the City's rate setting processes and has made an Informal Determination that the Airport was in full compliance with all grant assurances and that no further FAA action is warranted. A more complete description of the alleged violations and the FAA's findings are included in the Discussion section of this report as well as in Attachment III to this report.

ATTACHMENTS

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| Attachment I | Staff Report |
| Attachment II | Draft Resolution |
| Attachment III | FAA Part 13 Informal Determination |
| Attachment IV | Public Hearing Notice |