



DATE: June 16, 2026

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Development of New 39,900-Square-Foot Hangar at Hayward Executive Airport by APP Jet Center

RECOMMENDATION

That City Council receives this informational report that provides a summary of the development of a new approximately 39,900-square-foot aircraft hangar (Attachment II) and associated improvements with the APP Jet Center on its existing leasehold at the Hayward Executive Airport.

SUMMARY

APP Jet Center (APP) has been a commercial tenant in good standing at Hayward Executive Airport (HWD) since 2005. APP is categorized as a Fixed Base Operator (FBO) that primarily sells aviation fuel and leases space for the storage of aircraft.

The existing hangars operated by APP at HWD are currently at or near capacity, in part the result of high demand for hangar space in the San Francisco Bay Area. APP continues to receive inquiries from potential tenants that own or are purchasing some of the quietest and most fuel-efficient aircraft in production.

To address this demand, APP is completing design work and would soon like to begin construction of a new 39,900-square-foot hangar, subject to approval of all plans and specifications by City staff. To clarify, this is not a request to lease additional ground space at the airport but to proceed with a capital project on an existing leasehold.

This project represents a private, multi-million-dollar investment in the community. There are other economic benefits including employment opportunities for Hayward residents and additional revenue for the airport to help support financial independence.

FISCAL IMPACT

Similar to other development or building projects, APP will pay fees and charges associated with planning and building review. Other than these revenues, which are already budgeted, there is no General Fund or Measure C impact.

The Airport is an Enterprise fund and all revenue generated by the airport remains dedicated solely for the use at the airport. Likewise, all Airport expenses are borne by the Airport Enterprise Fund and not the General Fund.

BACKGROUND

APP Jet Center is currently one of two companies at the airport that primarily sells aviation fuel and stores aircraft. These companies are known as FBOs. These two FBOs are the largest aviation employers on the airport and are essentially commercial anchor tenants. They are also competitors that service both aircraft operated by individuals and companies throughout the San Francisco Bay Area and aircraft operated by visitors from other U.S. cities. The two FBOs represent a “front door” to the community and help form a first impression that visitors landing at the airport have of Hayward and the East Bay.

APP Jet Center opened for business at HWD in 2005. They currently lease three separate leaseholds from the airport with hangars, a terminal, and office space totaling 140,000 square feet. The last ground lease with APP expires in 2053. The airport receives base rent on a monthly basis and a percentage of fuel sales. APP also operates FBOs in the Washington, DC area and Fort Pierce, Florida.

APP has made previous capital investments at HWD. In addition to interior renovations on existing buildings, in 2016 over \$5 million was invested to construct a new terminal building with an attached 20,000-square-foot hangar. The new terminal provides a host of services and amenities that were not available in APP's previous terminal. This newest hangar continues APP's phased development approach.

DISCUSSION

HWD does not receive revenue from the City's General Fund. It is managed as an Enterprise Fund and must generate all the annual revenue it receives. Accordingly, it is incumbent upon staff to seek projects that generate revenue and to evaluate proposals that are received. Projects that appear beneficial are then recommended for review and approval.

Federal Aviation Administration (FAA) policy also requires financial self-sufficiency to the extent possible, per FAA Grant Assurance 24, "Fee and Rental Structure," and by 49 U.S.C. § 47107(a)(13).

Under airport policy, the airport is entitled to a fee for each gallon of aviation fuel sold. This is calculated by one of two methods, per an amount per gallon, or as a percentage of gross fuel sales, whichever is more. Using the percentage method, it is estimated the new hangar will

produce \$43,200 in additional annual revenue. The new hangar will generate additional financial benefits as outlined below.

The APP hangar will also address the unmet and continuing demand for the storage of modern aircraft. As a community benefit, innovative wing designs allow modern aircraft to take off in shorter distances and climb faster, reducing noise impact on the ground. New engine designs further reduce noise.

ECONOMIC IMPACT

In the short term, the new hangar construction will generate work for tradespeople. The City's General Fund will benefit from any additional sales tax generated from the new hangar tenants. In addition, this project will benefit the local economy by providing long-term job opportunities, and the City will receive a portion of the aircraft possessory tax collected by the County.

STRATEGIC ROADMAP

This agenda item pertains to development at the airport and does not directly relate to any of the six priorities outlined in the Council's Strategic Roadmap.

SUSTAINABILITY FEATURES

HWD is strongly committed to developing projects that are environmentally responsible. Therefore, staff will ensure that all plans proposed by the developer incorporate features that are commensurate with the City's sustainability guidelines.

PUBLIC CONTACT

The agenda and staff report for this item have been posted on the City's website and distributed to interested parties.

NEXT STEPS

The developer will, in order, comply with the City's building codes; draft final plans and specifications; receive final building permit; and begin construction this year.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in blue ink, appearing to read "Jennifer Ott".

Jennifer Ott, City Manager