



CITY OF
HAYWARD
HEART OF THE BAY

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DATE: September 25, 2007
TO: Mayor and City Council
FROM: Robert Bauman, Director of Public Works
SUBJECT: Amendment to Master Fee Schedule for Airport Rates and Charges

RECOMMENDATION

That Council adopts the attached resolution amending the Master Fee Schedule for Airport rates and charges.

BACKGROUND

On April 26, 2007, staff presented proposed hangar rent increases to the Council Airport Committee. These proposed increases were based on the work of a consultant (Aviation Management Consultant Group or AMCG), who was hired to assist staff in determining new rents based on market rates as is required by the Master Fee Schedule every four (4) years to ensure that rents are consistent with prevailing market rates.

The City entered into a professional services agreement with AMCG to insure that the required market analysis was unbiased and consistent with the appropriate market rates for the Bay Area. AMCG prepared what they believed to be a Market Study evaluating all city-owned hangar facilities with comparable and competitive facilities at airports throughout the United States.

The result of the AMCG Market Rent Study (MRS) recommended significant increases in City hangar rents based on analysis of current market conditions. The data obtained from the various airports for evaluating market rates varied considerably. Airports that most closely resemble Hayward's facilities and geographic location, relative to metropolitan areas, were weighted more heavily.

The methodology used by AMCG to formulate an opinion of the market rate for the various sizes of city-owned hangars at the Hayward Executive Airport is consistent with industry standards. However, by considering comparable airports across the country, both staff and Airport tenants believed the recommended rates were not reflective of the Bay area Market and the specific conditions at the Hayward Executive Airport. Therefore, staff decided to evaluate an alternative methodology applying the data provided by AMCG, and considering age and condition for each hangar group to the average competitive airport hangar rental rates only; without considering comparable, national, or regional data into the equation.

At the May 31, 2007 Council Airport Committee (CAC) meeting, more than 50 people attended, the vast majority being City hangar tenants opposed to the staff recommended rate increase. At the meeting, a representative of the newly formed Hayward Airport Tenant Group (Tenant Group) presented some information they believed to be more accurate current hangar rates for the Competitive Airports in the Bay Area. The Council Airport Committee considered all of the comments received, the obligation for the City to manage hangar rates at market, and, reluctantly recommended taking staff's proposed rates forward to the full Council for consideration.

However, staff was not comfortable taking the hangar rate schedule forward without being further assured that the rates accurately reflected the Bay Area market, fully understanding the data brought forward by the Tenant Group, and assuring that the new rates were being applied fairly to the tenants and within good business practices of airport management.

DISCUSSION

In order to reduce further confusion regarding appropriate rates due to varying sizes of Standard T-Hangars, staff prepared a third market analysis based upon a cost per square-foot methodology.

This approach proved to be the most solid basis for comparing facilities and relative rates in the Bay Area. San Carlos was eliminated from the calculations because it is a small airport constrained by its physical size (only 111 acres) and runway limitations. San Carlos is largely dependant on hangar revenues to support its operations and does not have the same ability as Hayward to develop a broader revenue base. Therefore, their hangar rates are inflated in order to meet the requirement that the airport be self-sustaining. Concord Airport was also eliminated as described below.

Small and Standard T-Hangars: The Small T-Hangars at Concord are 950 sq-ft and should never have been used as a comparison for Hayward's Small T-Hangars at 750 sq-ft. The type and size of aircraft a 950 sq-ft T-Hangar can accommodate more closely correlates to Hayward's Standard T-Hangars at 1,000 sq-ft. Therefore, staff's current recommendation eliminate the specific Competitive Airport rent anomalies at San Carlos and Concord to achieve a more practical comparison of Competitive Airport facilities. The Small Hangar category rent recommendation was further discounted 10 percent, due to the age and condition of those 10 hangar units built in the early 1940's.

Large Hangars: The large hangars were found to be above the average Competitive Airport rate and, therefore, no increase for the Large Hangar category is recommended at this time.

Executive Hangars: It is staff's opinion that the Market Rent Study provided a reasonable assessment of what Hayward's Executive Hangars could fetch on the open market. However, Hayward's Executive Hangar category is unusual. Most hangars of this size at other airports are typically owned and/or operated privately and allow commercial activities. Hayward, however, does not allow commercial activities. Staff believes it is necessary to take this difference into consideration when setting rates. Comparable hangars that permit commercial activities have the potential to generate revenue for the tenant and, thereby, warrant higher rental rates. The consultant's recommendation, if implemented, would result in a 37.3 percent increase in rents from \$874/month to \$1,200/month. In an effort to exercise reasonable judgment, and as a result of tenant concerns, staff proposes implementing a smaller increase in Executive Hangar rates.

The staff recommended rate for the Executive Hangars represents approximately a 24 percent increase. Staff believes that a sudden increase in hangar rent of this significance is inappropriate.

Staff further recommends phasing the recommended Executive Hangar rent increase over a two-year period. This recommendation would result in Executive Hangar rate increases in the first year from \$874/month to \$977/month, with an additional increase to \$1,080/month in 2008/09.

Staff held an additional meeting with Tenant Group representatives on September 13th. There was consensus from that meeting that the revised proposed rates are fair and acceptable. The following table presents the various rate scenarios that have been discussed, as well as the current recommended rate structure.

Hangar Description	Current Monthly Rate	Monthly Rate Presented to Airport Committee	Monthly Rate Currently Recommended by Staff & Tenant Group	Increase over Current Monthly Rates	
				Dollars	%
Small T	\$200	225	214	+\$14	7%
Standard T	\$281	345	300	+\$19	7%
Large T	\$412	460	412	N/A	N/A
Executive	\$874	1,200	977/1,080	+\$103/+\$103	12%/10.5%

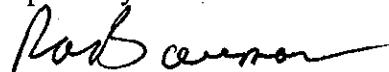
FISCAL IMPACT

Total Airport revenues from rental sources are depicted on pages 3 and 4 of Exhibit A. The current recommended rate increase will create an increase in annual revenue of \$69,948 in the first year, and \$87,252 in the second year (based upon 100 percent occupancy for a 12 month period).

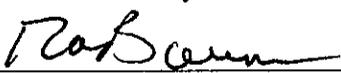
SCHEDULE

Civil Code Section 827 provides for a thirty (30) day notice to tenants for a rate change. Pursuant to adoption of a Council resolution revising the City's Master Fee Schedule, staff will distribute notices to all Hayward Airport tenants with an effective date of November 1, 2007.

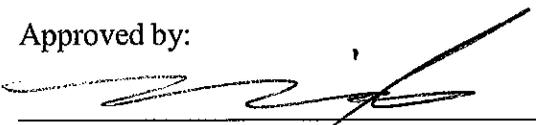
Prepared by:

For 
 Ross Dubarry, Airport Manager

Recommended by:


 Robert A. Bauman, Director of Public Works

Approved by:


 Fran David, Acting City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION AMENDING THE MASTER FEE SCHEDULE
TO REFLECT CHANGES TO THE AIRPORT RATES AND
CHARGES**

BE IT RESOLVED, by the City Council of the City of Hayward that the Master Fee Schedule is hereby amended to reflect the changes in Airport rates and charges as shown in the attached Exhibit "A", in a form to be approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2007

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

plh

PUBLIC WORKS DEPARTMENT

9/5/07

A. AIRPORT SERVICES

1. Monthly and Daily Fees for Aircraft Parking and Storage

Aircraft Hangar Waiting List Application Refundable Deposit of \$100.00

	<u>Monthly Charges</u>
a. Hangar Space	
(1) Row "A" T-Hangars	\$214
(2) Standard T-Hangars	\$300
(3) Large T-Hangars	\$412
(4) Exec	\$750
(5) Executive Hangars	\$977 (\$1,080 FY 2008-09)
b. Hangar Storage Rooms	
(1) Small	\$ 63
(2) Medium	\$ 80
(3) Large	\$ 154
(4) Extra Large	\$ 196
c. Tiedowns (Aircraft Gross Weight/Wing Span)	
(1) Single-Engine 3,500 lb.	\$ 60
(2) Twin-Engine 12,500 lb. less than 50 ft.	\$ 75
(3) 12,501 - 25,000 lb. more than 50 ft.	\$ 108
(4) 25,501 - 75,000 lb.	\$ 161
(5) Excess of 75,000 lbs.	\$ 216
d. Transient Overnight Tiedowns (Aircraft Gross Weight/Wing Span)	
(1) Single-Engine - 3,500 lb. less than 40 ft.	\$ 5
(2) Twin-Engine - 12,500 lb. less than 50 ft.	\$ 7
(3) 12,501 - 25,000 lb. more than 50 ft.	\$ 10
(4) 25,501 - 75,000 lb.	\$ 23
(5) Excess of 75,000 lbs.	\$ 29
(6) Lighter-than air Airships	\$ 20
e. Effective July 1, 1997, a late charge of \$15.00 or 5% of the monthly rent per month, whichever is greater, shall be assessed if rent is not paid within ten (10) days of its due date (does not apply to daily rent).	
f. Beginning July 1, 1999 and continuing every other year (biennially) on odd numbered years (e.g., July 2001, July 2003), all aircraft parking and storage charges, (excluding outside tiedowns), for the ensuing twenty-four (24) month period shall be adjusted proportionally upward seventy-five percent (75%) of the percentage increase in the All Urban Consumers Price Index (CPI) for the San Francisco-Oakland-San Jose area of the United States Department of Labor, Bureau of Labor Statistics, from December to two (2) years prior to December for the applicable year. The computed adjusted rates shall be rounded to the nearest dollar.	

- g. Every four (4) years, staff will conduct a market analysis to ensure that hangar rents are consistent with the prevailing market rates. If analysis demonstrates that hangar rents require modification, such shall be accomplished during the next hangar adjustment period. Such rates shall be charged unless otherwise directed by Council.
- h. Effective July 1, 1997, if the service of a member firm of the California Association of Photocopies and Process Servers must be utilized, a \$50 fee shall be charged to the individual or business necessitating said process service.
- i. The City shall charge a fee equal to the sum of the following: Five cents (\$0.05) for each gallon of petroleum products delivered during the previous calendar month from the Leased Premises, or an amount equal to a three percent (3%) of the gross receipts (including fuel and gasoline taxes for which Lessee sold fuel products during the previous calendar month on or from the Airport, whichever amount is greater.
- j. All month-to-month Airport leases shall include a security deposit equal to one month's rent.

2. Airport Land Values

Airport Land Value is on file in the Airport Administration Office and available for review.