



MEETING DATE: November 5, 2015
TO: Board of Directors
FROM: WOB AD Hoc Committee and Kevin Smith, General Manager
SUBJECT: Warehouse Office Building (WOB) Final Budget

RECOMMENDATION: Review and approve final budget for the Warehouse Office Building, Rental Car Facilities, and long term parking.

DISCUSSION: As a quick review, the WOB project includes the following:

- Office/Warehouse building – Future home of Clear Capital
- Rental Car Facilities – 2 unit facility for Hertz and one other rental car operator
- Long Term Parking Improvements
- Industrial Park Improvements – This includes District property on Airport Road and vacant land at the corner of Airport Road and Soaring way. (landscaping, sidewalks, undergrounding utilities, etc.)

In February of 2015, the Ad Hoc Committee, Staff, and consultants estimated project costs to allow the Board, Staff, and public an opportunity to understand the generalized costs of the project as the Board considered and approved land development and lease agreements with future tenants. Since the February meetings, Staff and the ad hoc committee have been working diligently to refine the project scope, secure entitlements and environmental mitigation from Nevada County, and move through the bidding process on the building. The Board has received periodic updates through the summer on progress of the project. The Board and Staff discussed the project timeline and budget at the Sept. 30, 2015 Meeting. As of October 27th the District has received hard bids from key prime contractors, and many of the subcontractors allowing us to provide a final Project Budget (see attached) Project Manager Peter Beaupre along with Staff and the District's land development fiscal analyst, Mark Wasley have prepared the attached Budget and Financial Feasibility Update. Total project costs are budgeted at \$6,500,000 (includes \$320,000 contingency). This is more than the estimated costs in February 2015. The added costs primarily come from the following:

- Increased costs from the metal building manufacture
- Added value components of the Building (snowmelt system, dry pipe fire suppression, etc.)
- Environmental mitigation, impact fees, and permitting
- Necessary Improvements to District property not specific to the WOB

These items are laid out and explained in the attached Budget and Project Feasibility Update including a comparison from the February 2015 Estimate and the Oct. 2015 Budget. Both Peter Beaupre and Mark Wasley will be present at the meeting to review any questions on these items. These have been reviewed by the Ad Hoc Committee

In addition to costs, staff has been able to revise some of the revenue projections. After researching current market conditions in the rental car industry, it is clear that concession percentages were underestimated in February 2015. Current market rental car concession percentages are averaged at 11%. The District has been at 10% for some time. While only a 1% difference, it has a significant effect on revenue. The District will require a higher percentage in the lease agreements to be signed by our operators. It is a pass through costs to the customer so it is typically not disputed by the Rental Car Operators.

There is also some additional leasable square footage in the office building not included in the original estimates.

With the additional costs along with updated revenue projection, there is very little change in the Internal Rate of Return (IRR) to the District and the Cash Flow Breakeven point changes from 13 to 14 years. To summarize, the Ad Hoc Committee and Staff maintain that this is a viable project with a healthy return for the District and recommend continuing with the project.

The earthwork contract has been issued and work is underway per instructions from the Board at the Sept. 30, 2015 Board meeting. Work is ahead of schedule and staff and the Project Manager are confident the original construction schedule can be met and the building will be completed on time.

FISCAL IMPACT: Project costs are \$6,180,000 with a \$320,000 contingency included in the project Budget for a total of 6,500,000. It is staff's goal not to use the contingency but it is likely some will be needed as we move through construction. Current District unrestricted net assets total \$12,600,000. The \$6,500,000 total project cost will be over 2 fiscal years. The current FY2016 Budget includes the first \$4,500,000. The District has currently spent \$700,000 on the project. At project completion staff anticipates a draw down on the Unrestricted Net Asset balance to around \$6,000,000 to begin FY2017. This drawdown will be similar to what the District experienced with the construction of the Administration Building in 2012. Upon project completion the District will realize an additional \$330,000 to \$375,000 per year in new non-aeronautical revenue which was not the case with the Administration Building.

PUBLIC COMMUNICATIONS: Board and staff have had multiple meetings, public comment, and outreach opportunities related to this project. Various articles have been published in local newspapers as well as frequent updates on social media. The Board and staff have discussed this project monthly in Board Meetings.

ATTACHMENTS:

Project Budget

Project Financial Feasibility Update