



TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTOR STAFF REPORT

AGENDA TITLE: Executive Hangar Study Presentation. Follow up presentation from March 23, 2016 Board Meeting.

MEETING DATE: May 25, 2016

PREPARED BY: Kevin Smith, General Manager

RECOMMENDED ACTION: Review and consider revised report from Mead & Hunt and AMCG with additional information and analysis as requested by Board of Directors related to the construction of six (6) new executive hangars. The Board requested a presentation at the May 25, 2016 Board meeting regarding the changes to the Executive Hangar Study in preparation for June 22, 2016 Board Meeting where the Concept and Budget Report for Hangar 3 will be presented. Board consensus was that it would be most beneficial to consider these projects together as a final decision is made on each.

DISCUSSION: In fiscal year 2016, the Board of Directors budgeted funds to study the feasibility and operational impacts of constructing or permitting the construction of additional executive box hangars. The initial study was reviewed by the Board at the March 23, 2016 Board Meeting. The study considered market conditions, cost estimation, Pro Forma projections, an operational impact analysis; current hangar rent analysis, site alternatives and a recommendation regarding leasing land to private hangar builders verses the District building hangars.

After this initial presentation and discussion the Board asked for additional information regarding the following:

- Additional Pro Forma Cash Flow modeling including bonding options (price elasticity)
- Additional analysis and data on Hangar lease rates at other airports
- Schedule for decision making for Summer 2017 construction
- Opinion on Aeronautical Revenue flexibilities
- Effect of Land Leasing for hangars on Proprietary Exclusive rights of TTAD
- Additional analysis of Cost Projections

Mead & Hunt and AMCG will present their findings and recommendations regarding these items.

At the April 27, 2016 Board Meeting, it was decided to have Mead & Hunt and AMCG present the revised Executive Hangar report in preparation for the June 22nd Board Meeting. At the June Board Meeting the Board will review and consider the Concept and Budget Report for Hangar 3. Various Directors indicated a desire to receive the report on Hangar 3 in order to fully consider the merits of hangar development at the airport. The CBR for Hangar 3 is on track and will be ready, pending additional ad hoc committee review, for the June 22nd Board Meeting.

MASTER PLAN & STRATEGIC PLAN REFERENCES: The Master Plan Facility Requirements and Forecast includes 24 additional Executive Hangars in the 2025 Airport Layout Plan. This proposal outlines the feasibility and cost for the first 6 hangars.¹ The Master Plan Projects Summary on page 5-8 of the Plan called out for an Executive Hangar Feasibility and Market Analysis to be completed in FY2016. Section 3.1 (page 3-18) of the Master Plan also outlines options for Hangar construction to meet the needs outlined in the Forecast in Chapter 2 of the Master Plan.

Applicable Strategic Plan Directives² are as follows:

- 1.1 – District Facilities and Infrastructure Investment – Objective 3
- 2.1 – Service Standards, Staffing and Service Delivery – Objective 1
- 4.1 – Local Airport Users
- 4.3 – Impacted Residents
- 5.2 – Use of Public Funds – Objective 1 & 2

WHAT'S NEXT: Pending Board and Public comment, staff maintains similar findings and recommendations as stated in the March 23, 2016 Board Meeting. They are as follows:

1. If the Board chooses to move forward with new executive hangars, Staff agrees with the recommendation on pg. 1 of the study stating *“The best development scenario from a financial perspective is for TTAD to construct and manage the hangars, and set lease rates according the market rate principle.”*
2. Regarding the TTAD construct and manage option, Staff suggests that the Board consider revenue bonds as an option to fund the construction costs. (Debt Services is now considered in the Pro Forma options)
3. Staff agrees with the operational impact assessment in the report, pg. 8 stating that *“The possibility is there for new tenants and additional operations, but anticipated impact will be minimal and consistent with Master Plan projections.”*
4. The District will have a greater level of control over tenant behavior if the District owns and manages the hangars.
5. While either site will work, staff prefers Site 2 over Site 1. Site 2 gives greater future flexibility in land use and is a preferred alternative for snow removal.

¹ The Master Plan is a planning tool to help guide the TTAD Board of Directors and airport staff in decision making. It does not guarantee funding, projects, timelines, or long term priority. (Taken from Note 1 of Table 5-1 of Master Plan)

² A full copy of the District Strategic Plan can be found at www.truckeeatahoeairport.com click Administration Link, then Publications Link.

- The District is past the window of time to begin construction in FY2016. Should the Board decide to move forward with the leasing or construction option, the next step would be to allocate funds from unrestricted net assets in the amount of \$160,000 for soft costs for design and engineering for the construction option. In addition the Board would need to authorize staff to begin design and engineering on the selected project.

FISCAL IMPACT: If the District chooses to lease property for private individuals to build hangars, the estimated cost are \$716,000 to the District for site preparation. Should the District choose to build and manage hangars, the cost is \$2,753,300.

The District started FY2016 with \$11,100,000 in unrestricted net assets. If the FY2016 Budget is fully expended, the District will use \$6,400,000 of this balance leaving Net Assets at the end of FY2016 at \$4,700,000. However, due to FAA grant funding and various projects that are under budget or not ready for construction in 2016, staff estimates that approximately \$1,000,000 will go unexpended in this fiscal year. Staff estimates that the District will end Fiscal Year 2016 with just under \$6,000,000 in unrestricted Net Assets.

Large expenditures for FY2017 will include \$1,750,000 to finish the WOB, Rental Car, and Long Term Parking project³. Other FY2017 potential expenditures could include a temporary tower at \$500,000, approximately \$100,000 for pavement projects (match for grants), and a few carry over projects such as the Shop expansion and EMS Heliport construction. The District is still currently undecided on the Hangar 3 project which ranges in cost from \$4,000,000 to \$9,000,000. Various other projects including community sponsorships and partnerships will be considered for FY2017. The Board will be holding its annual Budget Workshop July 11th and will discuss FY2017 Budget in detail at that meeting.

Staff anticipates receiving \$5,200,000 in property tax revenue in FY2017.

See attached Non-Operating Capital Expenditures Sheet, Budget Summary Sheet, and Table 5-1 from the Master Plan for details.

PUBLIC COMMUNICATIONS: Executive Hangars have been discussed in various public meetings and throughout the Master Plan process. Staff has noticed this discussion on the District Website, sent an e-blast to everyone in the system, and notified individuals on the hangar waitlist.

ATTACHMENTS:

Non-Operating Capital Expenditures Sheet

Budget Summary Sheet

Executive Hangar Study

Master Plan Table 5-1 – Master Plan Projects and ACIP Summary

³ FY2016 included \$4,500,000 for the WOB for a total of \$6,500,000 total project cost as approved by the Board.