



**TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTOR STAFF REPORT**

AGENDA TITLE: Revised Executive Hangar Study Discussion and Possible Action.

MEETING DATE: June 22 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 at the May 25, 2016 Meeting. The Board may take the following actions:

1. Approve construction of 6 new executive hangars as proposed in Study.
2. In light of the Hangar 3 discussion, deliberate and discuss what additional information may be necessary to make a final decision regarding the construction of new executive hangars.
3. Table project to future date.
4. Reject proposal to construct additional executive hangars.

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 Board received a follow up presentation with additional information as requested by the Board at the May 25, 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 versus the District building hangars.

At the April 27, 2016 Board Meeting, it was decided to have Mead & Hunt and AMCG present the revised Executive Hangar report at the May 25, 2016 Board Meeting in preparation for the upcoming final report on Hangar 3 to be presented at the June 22nd Board Meeting. Various

Directors indicated a desire to receive the report on Hangar 3 in order to fully consider and deliberate the merits of hangar development at the airport. The final Concept and Budget Report for Hangar 3 is included in the Board Report for this month and will be discussed at the June 22nd meeting.

After the May 25th presentation and in preparation for the June 22nd meeting the Board asked for additional information regarding the following:

- Additional Pro Forma Cash Flow modeling including bonding options including a year zero NPV. See Appendix B (all pro formas include a year 0 in baseline)
- Adding 5 additional pro formas with 100% bond financing. – See page 25.
- Adding an Appendix C with information from our Wait List Survey.
- Research on price elasticity and what a market rental rate for TRK might be. (see summary below)

For more detail see the attached Errata Sheet from the June 2016 final version of the Executive Hangar Study for more details on requested information.

Board of Director questions raised at the March 23, 2016 Board meeting and reviewed at the May 25, 2016 Meeting include the following:

- Schedule for decision making for a construction in Summer 2017 – See page 21 Section 2.4.
- Opinion on Aeronautical Revenue flexibilities – See page 25 Section 3.3
- Effect of Land Leasing for hangars on Proprietary Exclusive rights of TTAD – See page 13.
- Additional analysis of Cost Projections – See page 17.

PRICE ELASTICITY & MARKET LEASE RATES: There has been considerable discussion related to how to set lease rates for potential new executive hangars. Questions arose regarding the District's ability to essentially poll or bid lease rates with interested parties in an effort to realize the greatest lease rate return possible. In discussing this point with legal counsel and industry experts, staff recommends the Board consider the information contained in the Study which provides a local, regional, and resort community comparison and chose a profitable but fair lease rate based on study analysis in lieu of polling or bidding lease rates. This methodology conforms more centrally with industry as well as Federal guidelines for setting aeronautical lease rates.

The Study provides pro formas with lease rates at our current baseline rate plus 10% up to a 30% increase. Based on the fact that the hangars will be equipped with additional amenities not found in our existing hangar stock (utility connections, insulation), a higher lease rate is justified for these new facilities. Staff recommends the Board approach the decision of whether or not to construct Executive Hangars by first making a decision to build the hangars

contingent on Lessee's agreement to pay the approved and established lease rate set by the Board and per established terms defined by the Board (such as a 5 year lease agreement). Staff will then approach the aircraft owners on the Wait list and offer space to them per the approved terms. Staff is confident that there are 6 proposed tenants on the Wait List that will accept lease rates and terms as outlined and provided in the Executive Hangar Study. Staff feels this is the most transparent and effective way to solidify and commit 6 potential tenants before we begin construction. This will also secure an advantageous and fair revenue stream that will recover associated costs and secure ongoing funding.

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 to 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)

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.

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.
6. 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 between \$6,000,000 and \$7,000,000 in unrestricted Net Assets.

Large expenditures for FY2017 will include \$2,000,000 to finish the WOB, Rental Car, and Long Term Parking project³. Other FY2017 potential expenditures³ 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.

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

ATTACHMENTS:

Non-Operating Capital Expenditures Sheet

Budget Summary Sheet

Executive Hangar Study

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