



## TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTOR STAFF REPORT

**AGENDA TITLE:** Executive Hangar Study Presentation. Consideration and potential action regarding the construction or land leasing for six (6) new executive box hangars.

**MEETING DATE:** March 23, 2016

**PREPARED BY:** Kevin Smith, General Manager

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**RECOMMENDED ACTION:** Review and consider report and presentation by AMCG and Mead & Hunt related to the construction of 6 new executive hangars or permitting the leasing of airport property for private construction of executive box hangars. The 3 options under consideration are:

1. Do nothing
2. Lease property for the construction of Executive Hangars
3. TTAD Builds and Manages Hangars

The Board may choose to move forward with one of these options or continue the item to a future meeting pending any additional information as requested by the Board.

**DISCUSSION:** In fiscal year 2016, the Board of Directors budgeted funds to study and gain understanding regarding the feasibility and operational impacts of constructing or permitting the construction of additional executive box hangars. The study considers a market assessment, 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.

The District currently has 20 box hangars in our hangar inventory with high demand for additional executive hangars. There is currently an extensive wait list with frequent and common requests for this type of hangar space from users. Staff also acknowledges that there

are concerns related to the operational impact of new executive hangars. The Study includes the fiscal feasibility of leasing or constructing new hangars as well as attempting to understand the potential operational impact of these hangars on our local community. Analysis of these questions are presented in detail in the Study.

**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.<sup>1</sup> 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 Directives<sup>2</sup> 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 makes the following findings and recommendation:

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 was not considered in the Pro Forma)
3. Staff agrees with the operational impact assessment in the report, pg. 7 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.

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<sup>1</sup> 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)

<sup>2</sup> A full copy of the District Strategic Plan can be found at [www.truckeeatahoeairport.com](http://www.truckeeatahoeairport.com) click Administration Link, then Publications Link.

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 \$92,000 for soft costs for the land lease option or \$146,000 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 \$491,450 to the District for site preparation. Should the District choose to build and manage hangars, the cost is \$2,386,750.

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 project<sup>3</sup>. 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 in late May or early June and will discuss FY2017 Budget in detail at that meeting. The date and time will be confirmed at the March 23<sup>rd</sup> Board 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.

**SAMPLE MOTION(S):**

Option 1 Sample Motion - I move to not proceed with the land leasing or construction of executive box hangars.

Option 2 Sample Motion – I move to proceed with leasing land per the Executive Hangar Study recommendations on (Site 1 or Site 2) and authorize staff to begin design and engineering. I move to allocate \$92,000 from unrestricted net assets and direct staff to begin project design and engineering.

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<sup>3</sup> FY2016 included \$4,500,000 for the WOB for a total of \$6,250,000 total project cost as approved by the Board.

Option 3 Sample Motion - I move to proceed with constructing 6 executive hangars per the Executive Hangar Study recommendations on (Site 1 or Site 2) and authorize staff to begin design and engineering. I move to allocate \$146,000 from unrestricted net assets and direct staff to begin project design, and engineering.

One other option to consider could include waiting until the Budget Workshop to consider this project with the other proposed projects in FY2017.

**ATTACHMENTS:**

Non-Operating Capital Expenditures Sheet

Budget Summary Sheet

Executive Hangar Study

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