



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

AGENDA TITLE: Executive Hangar Project Update and Potential Action to Purchase the Steel Buildings.

MEETING DATE: June 28, 2017

PREPARED BY: Kevin Smith, General Manager

RECOMMENDED ACTION: Hear update from staff on progress of Executive Hangar Project specific to Project Costs, Status of Financing, and Preleasing activities.

Consider and take action on one of the following two Options:

Option 1: Enter in to contract with Ranger Construction to facilitate purchase of steel building components. Steel components and erection of building are \$4,894,785 of the total \$7,754,210 project Budget. There is no immediate required deposit or outlay of funds with signing of Contract at this point in process however the District would be committed to the Ranger Construction bid. Bid pricing expires on July 10, 2017.

Option 2: Rebid the hangar structure portion of the project specifically soliciting bids for 10 hangars (two rows of 5) to see if the District can realize a more competitive price. This option allows the District to finalize pre-leasing activities and secure final loan documents prior to committing to the steel. The disadvantage of this option is that there is no guarantee that we will receive a better price as the price of steel is volatile. Rebidding the project would require a 6-week window. Staff will have final bids structure bids prior to August 23, 2017 Board Meeting.

While both options have merit, staff recommends Option 2.

DISCUSSION: At the May 28, 2017 Board Meeting the Board reviewed information related to project bidding, financial pro-formas and analysis, financing options, operational impacts, Leasing feasibility, land entitlements, NEPA and CEQA compliance, and construction timeline. After deliberation the Board directed staff to pursue the construction of 10 executive hangars.

Specifically the Board asked staff to seek revised numbers from the low bidders for a 10 unit project, finalize financing, and begin the preleasing process for 8 hangars and maintain two for overnight usage one of which will be heated. The following are updates on activities for each of these focus areas:

Status of Revised Project Bids: Staff has solicited and received bids for the 10 Executive hangars project option approved by the Board at the May 2017 Board Meeting. The revised total project cost for the 10 unit project is \$7,754,210 which is a reduction of \$636,543 from the 12 unit total project cost of \$8,390,753. Of these total project cost for 10 units, \$1,884,007 is for the site work. As these are bid by unit quantities, there will be some saving on site work. However, the 10 unit building is somewhat longer and wider making the cost savings somewhat negligible. The bid pricing also includes a 15% contingency. Final 10 Unit project costs break down as follows:

Site work & Utilities	\$1,884,007 – Sierra Nevada Construction
Hangar Structure	\$4,894,785 – Ranger Construction
Contingency	\$1,016,818 – (15% of project cost)
Total	\$7,795,610

Staff was estimating a somewhat more competitive price at the May 26, 2017 Board Meeting of \$7,265,000 for 10 units. Due to the ongoing competitiveness of project bidding, it is uncertain if rebidding the project will result in reduced costs. However, rebidding the project is an option and would require an additional 6 weeks. The steel structure bid is good until July 10 while the site work bid is valid until July 31th.

Status of Financing: Staff continues to work with CSDA Finance Corp. and Muni-Financial on a 100% financed loan as directed by the Board. The District has secured the services of Stradling, Yocca, Carlson & Ruth as Bond Counsel specifically working with John Murphy Esq. to provide the required Legal Opinion as well as resolutions, notices, documents, etc. necessary to complete the loan process. The fee for this service is included in the Loan proceeds. The District is under no payment obligation to Mr. Murphy unless the District closes the Loan. Staff anticipates receiving final loan documents for Board review and approval at the July 26, 2017 Board Meeting.

Status of Preleasing: Jill McClendon, our hangar leasing specialist continues to work with existing tenants and wait list individuals to secure prelease agreements. To date, we have one signed prelease agreement with commitment from 3 others. While there is still substantial interest, we have experienced some concern by the high rental price of the units. As we continue to move down the wait list, staff is very confident that 4 more agreements will be secured before July 26, 2017.

District Engineer Bill Quesnel has provided an update on the Town of Truckee Entitlement process in his quarterly Engineer's Report.

WHAT'S NEXT: It is staff's intention to bring loan documents, as well as wrap up the pre-leasing process in time for the July 26, 2017 Board meeting. Assuming no issues with the Town permitting process, it is still conceivable to begin site work in September allowing for the erection of the hangars starting in May 2018.

FISCAL IMPACT: If the Board chooses to finance 100% of the construction costs, there will be no initial capital outlay by the District to fund this project. Based on our pro-formas and assumptions, the District will need to allocate some funding from our current hangar revenue surplus to fund debt services. The average annual contribution will be \$190,000 to \$290,000 per year on average.

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): I move to (approve, continue, deny) the proposal to enter into a construction contract with Ranger Construction to purchase steel for 10 executive hangars.

ATTACHMENTS:

Revised 10 Unit Financials

Site Plan for 10 unit project