



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

**AGENDA TITLE:** Executive Hangar Project Potential Action to Consider Approval of the Following:

- **Project Financing - Debt Installment and Purchase Agreement, and Debt Policy;**
- **Open Executive Hangar Project Account at Placer County Treasurers Investment Fund;**
- **Select Sierra Nevada Construction as Site Work Contractor.**

**MEETING DATE:** July 26, 2017

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

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**RECOMMENDED ACTION:** Staff recommends approval of the following:

**Action 1:** Approval of attached Resolution 2017-05 Adopting a Debt Issuance and Management Policy (PI-315), and Authorizing the Execution and Delivery of an Installment Sale and Purchase Agreement with Municipal Finance Corporation, and authorizing and directing certain actions in connection as outlined in attached Agreement.

**Action 2:** Per the terms of the Installment Sale and Purchase Agreement, authorize the General Manager to open new account at Placer County Treasurers Investment Fund specifically for and in anticipation of deposit and future management of Executive Hangar Project loan proceeds.

**Action 3:** Approve Sierra Nevada Construction as Site Work Contractor for \$1,884,007 for Executive Hangar Site Work and authorize Board President to sign contract documents.

**DISCUSSION:** At the May 28, 2017 and June 26, 2017 Board Meetings 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 directed staff at the June 26, 2017 Meeting to rebid the metal building seeking competitive bids for 10 hangars, to finalize the financing, and to report back on the pre-leasing process for eight of the 10 hangars. Two hangars are being held out for nightly rentals. Staff has been working diligently on these three items. The following are updates on activities for each of these focus areas:

Analysis for Action 1 – Project Financing: Staff has secured a tax exempt loan through Muni Financial and the CSDA Finance Corp. for a \$7,800,000 loan at fixed 3.5% for 20 years. The District 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. Staff also consulted Lewis Young Roberts & Burningham to function as the District’s independent fiduciary on this project reviewing all documents assuring the District is receiving a fair and reasonable loan based on market conditions. Attached to this report is a memorandum outlining the terms and conditions of the Debt Installment and Purchase Agreement. Staff has summarized the key points and provisions of this Agreement for the Board of Directors and Public to review. Staff is confident recommending this offer and Agreement to the Board for approval. In working at a high level with District consultants, Staff agrees that this loan offer meets and in some cases exceeds terms and conditions available in the current municipal finance market. Please review the attached summary and agreement for terms and conditions of the financing. Please also review the Opinion Letter from District Fiduciary.

Also attached to this report is the Debt Issuance and Management Policy required by the State of California and the lending institutions. As the District has previously not acquired debt, adoption of this policy is required as part of our motion. Staff and the District’s legal counsel have reviewed this policy and recommend approval to the Board. Please Review attached PI 315 – Debt Issuance and Management.

Analysis and Discussion for Action 2 – Project Specific Bank Account: The Board of Directors is required to authorize the opening of all accounts with Placer County Treasurers Investment Fund as well as other banks and lending institutions. As such the Board will need to make a motion to open a project specific bank account to receive the deposit of the loan proceeds. Per the Installment Agreement, we are required to maintain the Loan proceeds in a separate and distinct account.

Analysis and Discussion for Action 3 – Site Work: Sierra Nevada Construction (SNC) has provided a hard bid for the site work and the building pad at \$1,884,007. Due to the land use approval

process for final site and project approval, it is unlikely site work will commence in 2018. SNC has guaranteed their bid pricing through the summer of 2018. We now anticipate a late spring commencement date for site work. The only exception to their bid price relates to the price of oil for the asphalt. If oil prices increase, the District will be responsible to compensate for the increased price. This is a common requirement for public works projects subject to a winter hold over. Staff recommends approving the SNC bid as proposed.

Status of Revised Steel Structure Project Bids: Bids are out for the structure portion of the 10 unit hangar project. There were some slight modifications to the building including raising the height 6 inches from the previous 18' to 18' 6" in anticipation of future aircraft anticipated to use the Airport. Staff will receive bids for the new structure on August 10<sup>th</sup> and will report to the Board on August 23, 2017. The previous Quote from Ranger Construction was \$4,894,785. Due to the ongoing competitiveness of project bidding and the somewhat volatile price of steel, it is uncertain if rebidding the project will result in reduced costs, but it is our hope that cost savings will be realized.

Status of Preleasing: As of Friday July 21<sup>st</sup>, Jill McClendon, our hangar leasing specialist, currently has prelease agreements signed by seven future tenants. The District is aware of multiple individuals on the wait list interested in the eighth and final hangar. Staff is working through the front of the waitlist to assure all potential tenants have had an opportunity to accept a hangar based on where they sit on the wait list. Staff is very confident that all eight hangars will be preleased by the end of July.

Project Entitlement Process Update: We continue to move through the Planning approval process with the Town of Truckee. Site Plan approval was completed when the original Site Plan was approved for Mike and Lima Hangar Rows in 2004. The items left to be accomplished to complete project approval are changing the zoning to Public Facilities from the current Planned Commercial zoning. The Planning Commission will review this at their August 15, 2017 Meeting. It then goes before the Town Council on Sept. 12<sup>th</sup> and then a second reading on Sept. 26<sup>th</sup>. This step has to be completed before the District can receive approval to begin site work. The Building Permit will come at a later date when the final design and construction drawings are completed by the metal building manufacturer.

Project Construction Timeline: Due to the timeline of the Zone Change application, it is unlikely the District will be able to begin any site work prior to the October 15 grading deadline. In reviewing the construction timeline (see attached), there is not a significant impact on final delivery of the finished project. With a May 2018 construction start, final occupancy to hangar tenants will be available in Fall of 2018. The previous timeline would have permitted occupancy in August 2018. The new timeline anticipates a September/October delivery.

**WHAT'S NEXT:** Staff will facilitate the signing of loan documents and Contracts with SNC. Staff will bring the final bids on Metal Building to the Board at the August 23<sup>rd</sup> meeting. Please review the attached Project Schedule for upcoming milestones to complete the project.

**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.

The projected Project Budget is as follows:

Site work & Utilities	\$1,884,007 – Sierra Nevada Construction <b>(Confirmed)</b>
Hangar Structure	\$4,894,785 – Previous bid for 10 hangars <b>(Structure is out for re-bid)</b>
Contingency	\$1,016,818 – (15% of project cost)
Total	\$7,795,610

**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 wait list.

**SAMPLE MOTION(S):**

Motion 1: I move to (approve, continue, deny) Resolution 2017-05 Adopting a Debt Issuance and Management Policy (PI-315), and Authorizing the Execution and Delivery of an Installment Sale and Purchase Agreement with Municipal Finance Corporation, and authorizing and directing actions in connection as outlined in attached Agreement. **(Roll Call Vote)**

Action 2: I move to (authorize, not authorize) the General Manager to open new account at the Placer County Treasurers Investment Fund specifically for and in anticipation of deposit and future management of Executive Hangar project loan proceeds.

Action 3: I move to (approve, continue, deny) Sierra Nevada Construction’s site work bid for \$1,884,007 for Executive Hangar Site Work and authorize Board President to sign contract documents.

**ATTACHMENTS:**

Resolution 2017-05 – Adopting a Debt Issuance and Management Policy (PI-315), and Authorizing the Execution and Delivery of an Installment Sale and Purchase Agreement with Municipal Finance Corporation.

Installment Sale and Purchase Agreement (ISPA)

ISPA – Summary and Background

LYRB Opinion Letter

Project Construction Timeline