



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

AGENDA TITLE: Warehouse Office Building Completion and Final Project Close-Out

MEETING DATE: August 23, 2017

PREPARED BY: Kevin Smith, General Manager on behalf of Director Morrison and Director Jones

RECOMMENDED ACTION: Review and accept final project close-out report from the Warehouse Office Building (WOB) Ad Hoc Committee summarizing project status and final financials.

DISCUSSION: In February 2015, the District made a decision to construct a 12,840 sq. ft. Warehouse/Office Building at the corner of Airport Road and Chandelle Way. The building would be leased to Clear Capital on a 10-year lease as well as provide a new home for rent-a-car tenants. As part of the project, the District also reconstructed the long-term parking lot, built a rental car parking lot, fully improved (road widening and sidewalk) the west side of Airport Road up to Soaring way, and buried all power lines and utilities on Airport Road. All work was completed in Spring of 2017. Clear Capital occupied their lease space in December 2016. Hertz signed leases and occupied their space in February 2017. Enterprise signed leases and occupied the second rental car space in March 2017. Both rental car operators are on 4-year leases. Avis has also signed a lease agreement for vehicle parking/concession only (no office lease space).

The Ad Hoc Committee is providing the attached final WOB Project Financials outlining where the District started in February 2015 with estimated costs and revenues compared to final 2017 actual cost and revenues.

WOB Final Cost: Final development costs for the WOB were \$5,140,000. The October 2015 estimate was \$4,950,000 with contingency allocated for a difference of \$190,000 (3.8%). Most of the additional costs were related to snow removal. Other additional cost incurred relate to additional hydronic heat requested by Staff and some interior improvements.

Long Term Parking and Street Improvement Final Costs: In addition to the WOB cost there was an additional \$1,656,000 expended to reconstruct the long term parking lot, resurface the rental car lot, bury utilities on Truckee Airport Road and install sidewalks between Soaring Way and Chandelle Way. Our October 2015, budget estimate was \$1,550,000 with contingency. The additional \$106,000 (6.8%) expended relate primarily to unwinding and repairing utility work in Soaring Way and burying all the utilities. Some of this work was programed in our Utilities Capital Facilities Plan. We worked to complete all relevant projects outlined in that report while the road was open.

FISCAL IMPACT: The total fiscal impact of this project is \$6,796,000 over two fiscal years. As stated, the projected October 2015 project estimate was \$6,500,000. The additional \$296,000 (4.5%) cost primarily came as a result of snow removal and utility undergrounding and upgrades. Some additional cost was incurred on interior and WOB/Rental Car site enhancements to the building providing for long-term maintenance efficiencies. Overall staff and the Ad Hoc Committee are pleased that the project was able to be completed within 4% of the original October 2015 cost estimate.

Per leased and contracted revenues and considering real and forecasted operation expenses, the District will realize a 7.87% Internal Rate of Return (IRR) on this project over the first 30 years of operation. Overall the District will be within 0.44% (8.31% to 7.87%) of the projected IRR estimated at project conception in late 2014 and early 2015 when the District studied and analyzed whether or not to move forward with the project and is expected to return an additional \$1,468,000 (\$8,591,000 to \$10,059,000) in additional cash flow over the first 30 years of operation

While not a perfect process Staff and the Ad Hoc Committee are pleased with the final results of the project both in the finished building and site improvements as well as IRR to be realized by the District.

With full year operations in 2018, the project is expected to return over \$360,000 annually moving forward.

SAMPLE MOTION(S): No motion required.

ATTACHMENTS:

Final Project Close-Out Financials