



MEMORANDUM TO BOARD OF DIRECTORS

SUBJECT: Hangar 2 Concept, Budget and Feasibility Report Presentation and Ad hoc Committee Recommendation

DATE: August 22, 2018

PREPARED BY: Director Rick Stephens and Director Jim Morrison

SUPPORT STAFF: Kevin Smith, General Manager

RECOMMENDED ACTION: The Ad Hoc Committee and Staff recommend proceeding with Phase II of the Hangar 2 Replacement Project authorizing the project team, led by Mead & Hunt with Ad Hoc Committee oversight, to complete final design drawings and bid the Hangar 2 replacement building and return to the Board with final bid price.

DISCUSSION: In March of 2017 the District began studying the concept, budget, feasibility, and overall need of a replacement building for Hangar 2 which collapsed in January of 2017 due to the heavy snowfall. In October 2017 the District retained Mead and Hunt to assist the District in assembling plans and information to assist in finding a suitable Hangar 2 replacement building option. Per the Project Scope, the building is intended to be the future home of Mountain Lion Aviation¹, the Experimental Aircraft Association (EAA) Chapter 1073, the Truckee Tahoe Composite Squadron of the Civil Air Patrol (CAP), as well as scheduled/unscheduled transient charter operators such as Surf Air. Through this process the project team met with these groups to discuss needs and desires of the new building. The attached floor plan attempts to address these basic needs while balancing the project budget.

This Staff Report along with the Mead & Hunt Project Options are the deliverable for Phase I of this project, which is to provide a Hangar 2 concept and budget along with a recommendation to the Board. If the Board decides to accept the recommendation, the District will commence Phase

¹ Mountain Lion Aviation was selected through a competitive bidding process in 2017 to have first right of refusal on the Hangar 2 lease space.

II of the project, which is to produce a final design based on the Option 3C plans, architectural drawings, site design, and to bid the project. Staff estimates Phase II would be complete in April 2019 and cost \$650,000. After Bids are received, the Board, staff, future tenants, and public will have an opportunity to review final costs before a final decision to build Hangar 2 is made. Phase III would be construction of the hangar.

PROJECT DISCRPTION: The recommendation is to construct a 16757 sq. ft. building. This sq. footage will include 5227 sq. ft. of finished office/meeting rooms, a 250 sq. ft. kitchen, and an 11280 sq. ft. unfinished shell hangar space. The finished office space will be the new home of our EAA Chapter, CAP Squadron, and Surf Air as well as other scheduled/unscheduled charter operators with concierge service. The 11280 sq. ft. of unfinished or “shell” hangar space will be leased to Mountain Lion Aviation (MLA). MLA will then build their offices at their expense inside their shell hangar space. We anticipate they will construct approximately 2500 sq. ft. of office leaving a 92 by 90 sq. ft. hangar space for aircraft storage. The project pro forma outlines lease rates and financial assumptions for the leased space. In return for MLA’s financial investment in the office space buildout/tenant improvements, the District will offer a 10 year lease with a 5 year right to renew. Aside from tenant improvements, this proposal does not have an initial MLA upfront cash investment in the structure as previously considered by the Board. These terms and conditions have been reviewed with MLA and they are in agreement. Please review the attached Term Sheet Packet approved by MLA and attached to this staff report.

SPECIFICS OF AD HOC COMMITTEE RECOMMENDATION: After reviewing and considering the various project concepts and options with their associated costs, benefits, and impacts, the Ad Hoc Committee is recommending that the Board pursue the final design and bidding phase (Phase II) at this time. The Ad Hoc Committee findings are as follows:

- This project will allow the District to remove the existing EAA Building which currently sits in the Runway Visual Zone. FAA requires the eventual removal of the building when a suitable replacement structure can be found. Removal of the building will enhance safety allowing aircraft better visuals on takeoff and landing of the intersection of Runway 2-20 and 11-29. EAA is aware of this outcome and need to remove building. The General Manager reviewed this project and concept with the EAA Chapter at their August 15, 2018 Meeting.
- The project will relieve some of the foot traffic and congestion in our current terminal and restaurant area by allowing some of our operators to relocate to space that is more efficient.
- Constructing this hangar will free up 3 other Super-T Hangars that are in high demand alleviating demand on the District wait list.
- This project further enhances airfield safety and security by establishing a clear Airside/Landside boundary. Events such as the EAA Pancake Breakfast and CAP Cadet training, Young Eagle Flights, and other public use of the EAA meeting Space will no longer require the general public to traverse the airside ramp area eliminating the potential conflict between aircraft and vehicles.

- The District has been studying the concept of a large multi-use hangar for some time. Staff and the Committee feel this hangar can provide a very similar product and provide a similar service as the previously studied Hangar 3. MLA is very agreeable to public non-profit use of the hangar space.
- The District Master Plan² calls for 12 new executive hangars to be constructed by the end of 2018 as well as a multi-use hangar³. At the end of 2018 we will have constructed 10 new executive hangars. In June of 2016 the Board of Directors decided to table the multi-use hangar proposal until a future date. The construction of this hangar will assist in filling needs with both meeting the goal of constructing 12 hangars as well as a new option for a multi-use hangar.
- MLA is agreeable to multiple annual public/non-profit events in their hangar leasehold space. They are willing to include a public use stipulation in their lease agreement with the District.

FISCAL IMPACT: If the District chooses to construct Hangar 2 as presented, the estimated cost is approximately \$7,500,000 and \$8,000,000 for Option 3C estimated for a 2019 construction start. Staff and the Ad Hoc Committee looked at 3 different building options. The largest hangar considered was approximately \$14,000,000 with all budget alternatives. That option (Option 1) was dismissed due to the high cost but it was a useful planning exercise to understand needs verses wants and what the building site could accommodate. The Ad Hoc Committee also considered Option 2 which was estimated at \$10,000,000. This option was also dismissed due to costs in favor of the current Option 3. Please review the building design options as found in the Mead & Hunt Project Options. Ad Hoc Committee and staff recommend constructing Option 3C.

The full project Budget is included in the attached Pro forma. Staff proposes to fund the project from existing and future airport reserve funds. The funding timeline is as follows:

Budget Year 2018 – \$2,500,000 (This funding can be carried forward into Budget year 2019)

Budget Year 2019 – \$2,500,000 (There will be Budget carryforward from 2018 of \$2,000,000 for a total of \$4,500,000 in 2019)

Budget Year 2020 - \$3,000,000

This project is included in the 5 Year Forecast. With the carry forward funds discussed above, Staff estimates the District will end CY2018 with approximately \$8,500,000 in unrestricted net assets. Please review the Budget Presentation and 5 Year Forecast for a full picture of the District’s financial position.

² 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) A full copy of the District Master Plan can be found at www.truckeeahoeairport.com click Administration Link, then Publications Link

³ Truckee Tahoe Airport Master Plan pg. 3-18, 3-25, 4-43, 5-8.

Per the Pro forma it is anticipated the building will generate \$143,000 in cash revenue each year primarily from MLA and Charter Operator leaseholds. Additional non-profit (EAA, CAP) lease revenue is off set with community services.

Phase II Costs: If the Board accepts the Ad Hoc Committee and Staff recommendation, Phase II is estimated to cost \$650,000 for full design, architectural, construction drawing, and bidding costs. This expense is included in the building budget estimate and is included in the Budget Forecast.

SAMPLE MOTION: I move to (approve, continue, deny) the Ad Hoc Committee and Staff recommend of proceeding with Phase II of the Hangar 2 Replacement Project authorizing the project team, led by Mead & Hunt with Ad Hoc Committee oversight, to complete final design drawings and bid the Hangar 2 replacement building and return to the Board with final bid price and Hangar 2 construction costs.

ATTACHMENTS:

- Site Plan Aerial
- MLA TTAD Term Sheet
- Hangar 2 Project Recommended Option 3C
- Hangar 2 Project Pro forma and Budget for 3C
- Hangar 2 Other Options Considered