



## MEMORANDUM TO BOARD OF DIRECTORS

**SUBJECT:** Hangar 2 Schematic Design (30% Design Drawings) and Project Cost Presentation and Ad hoc Committee Recommendation

**DATE:** June 26, 2019

**PREPARED BY:** Director Rick Stephens, Director Jim Morrison, and Kevin Smith, General Manager

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**RECOMMENDED ACTION:** Receive presentation from Ad Hoc Committee, Staff, and Consultant on Hangar 2 Schematic Design (30% Design Drawings) and Cost Estimate. The Ad Hoc Committee and Staff recommend reviewing five Hangar 2 options identified and provide further guidance and direction on the future status of the Hangar 2 project.

**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 winter. In October 2017 the District retained Mead & Hunt to prepare a Concept and Budget Report (CBR) to assist in finding a suitable Hangar 2 replacement building option. Per the Project Scope outlined in the Fall of 2017, the building is intended to be the future home of various aeronautical tenants and aeronautical nonprofits such as the Experimental Aircraft Association (EAA), the Civil Air Patrol (CAP), as well as scheduled/unscheduled transient charter operators such as Surf Air. Through the CBR process the project team met with these groups to discuss needs and desires of the new building as well as District Staff. The result of this process was the floor plan and building design reviewed and approved at that August 2018 Board Meeting. At that meeting the Board directed staff to proceed with Schematic Design and provide a project cost estimate and return to the Board for review and action. At this same Board Meeting, the Board approved a non-binding Term Sheet with Mountain Lion Aviation to lease the hangar shell component of this project. Staff is in process of working with Mountain Lion Aviation to understand their desire to move forward. No final decision has been made at this time by the District or Mountain Lion Aviation to move forward with a long term lease.

This Staff Report along with the Mead & Hunt Schematic Design and Cost Estimate are the deliverables for Phase II of this project along with a recommendation to the Board from the Ad Hoc Committee. If the Board decides to move forward with one or more of the options presented, the District will commence Phase III of the project, which is to produce a final design based on the attached plans, architectural drawings, site design, and to bid the project. Staff estimates Phase III would be complete in the Fall of 2019 and cost an additional \$450,000. After Bids are received, the Board, staff, future tenants, and public will have an opportunity to review final bids before a final decision to build Hangar 2 is made. Phase IV would be construction of the project.

**PROJECT DISCRPTION:** The project consists of constructing 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 would house the EAA Chapter, CAP Squadron, and scheduled/unscheduled charter operators with concierge service or other aeronautical users. The 11280 sq. ft. of unfinished or “shell” hangar space will be leased to an aeronautical tenant or used for transient overnight parking. The hangar shell can accommodate approximately 2500 sq. ft. of office leaving a 92 by 90 sq. ft. hangar space for aircraft storage. The attached Schematic Design Plan Set and Cost Estimate has been prepared by Mead & Hunt with guidance and direction from staff and the Ad Hoc Committee. VJS Lincoln was tasked with preparing a detailed cost estimate which is attached. The *Hangar 2 Opinion of Construction Costs* for this project is categorized by project component as follows:

Hangar Building (Shell)-----	\$5,336,472
Office Building-----	\$2,268,399
Site Work-----	\$1,218,620
Estimated Owner (Soft) Costs----	\$1,552,600

Total cost to build all components with site work and Owner costs - \$10,376,091

Staff and the Ad Hoc Committee agree with the project design and feel it meets the goals and needs assessment identified in the CBR reviewed and accepted in August 2018 by the Board. The Ad Hoc Committee and staff also agree that a conversation regarding costs and funding requirements needs to occur as this project is a significant District expenditure over multiple fiscal years. The goals and needs assessment were identified and presented at the August 22, 2018 Meeting and are worth reviewing again as part of this discussion. They 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 the need to remove the 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 and in increasing revenue opportunity.
- The District Master Plan<sup>1</sup> calls for 12 new executive hangars to be constructed by the end of 2018 as well as a multi-use hangar<sup>2</sup>. 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.

For a review of the project financials, pro forma, and Internal Rates of Return, please review the attached August 22, 2019 Staff Report. A full pro forma with results and assumptions is included.

**AD HOC COMMITTEE AND STAFF RECOMMENDATIONS:** After reviewing and considering the findings above along with the Schematic Design and project Cost Estimate, the Ad Hoc Committee is recommending 5 project options to the Board. The Ad Hoc Committee and staff are seeking guidance and direction on next steps for this project. The identified project options are as follows:

**Option 1 – Build Hangar Shell Only – Cost is estimated at \$7,855,092**

*This option would construct all of the site work and just the hangar building. This estimate includes full site work; however, not all site work may be required at this time if District only builds the hangar, as there are no office or public facilities. If a future tenant constructed offices there may be additional site work requirements particularly related to parking.*

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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) A full copy of the District Master Plan can be found at [www.truckeeahoeairport.com](http://www.truckeeahoeairport.com) click Administration Link, then Publications Link

<sup>2</sup> Truckee Tahoe Airport Master Plan pg. 3-18, 3-25, 4-43, 5-8.

Option 2 – Build Office Building Only – Cost is estimated at \$5,009,619

*This option includes extensive site work and soft costs particularly related to architectural/engineering and fixtures furniture and equipment. This option includes all the site work and owner costs in preparation should the District add the hangar at a future date.*

Option 3 – Build Everything – Cost is estimated at \$10,376,090

*This would construct all elements of the project at one time. Provides for maximum revenue opportunity as soon as possible and protects against the rising cost of construction.*

Option 4 – Do Site Work Only – Cost is estimated at \$1,218,620

*This would prepare the site for future construction as well as make a firm delineation of our air side and land side access. It would also help address current seasonal parking demands.*

Option 5 – Do not build anything now.

The Ad Hoc Committee has no formal recommendation on which option to choose. Staff favors Option 2 or 4 as we feel it addresses various aeronautical as well as community needs.

**FISCAL IMPACT:** The District has spent \$270,000 on the Schematic Design process. If the District chooses to construct one or more component of Hangar 2 as presented, the estimated cost can range between \$1,218,620 for site work only to \$10,376,090 for the complete project. The full project Budget is included in the attached Cost Estimate from VJS Lincoln. If the Board chooses to continue this project, staff proposes to fund the project from existing and future District reserve funds. The estimated available funding per fiscal year is as follows:

Budget Year 2019 – \$450,000 - This funding is available in the current Budget to complete final project design and bidding. This process could be completed by mid to late fall in preparation for a summer 2020 construction state date.

Budget Year 2020 – \$3,500,000

Budget Year 2021 - \$3,000,000

This project was included in last year's 5 Year Forecast prepared for the 2019 fiscal year budget. This Forecast will be updated for the Budget Workshop scheduled for August 28, 2019. The District currently has approximately \$11,000,000 in unrestricted net assets.

The fiscal impact of the staff recommended Option 2 would be as follows:

Budget Year 2019 – \$300,000 - This funding is available in the current Budget to complete final project design and bidding for Option 2. This process could be completed by mid to late fall in preparation for a summer 2020 construction state date.

Budget Year 2020 – \$2,500,000

Budget Year 2021 - \$2,500,000

If the Board choose to move forward with Option 4 of Site work only, the project could be completed in fiscal year 2020.

**IN SUMMARY:** Staff and the Ad Hoc Committee are looking for further guidance and direction from the Board and public on the future status of this project. Is there Board interest to continue with full design and bidding on one or more options presented?

**ATTACHMENTS:**

Building Plan Set

Project Cost Estimate

Staff Report from August 22, 2018