



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 DESCRIPTION: 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.

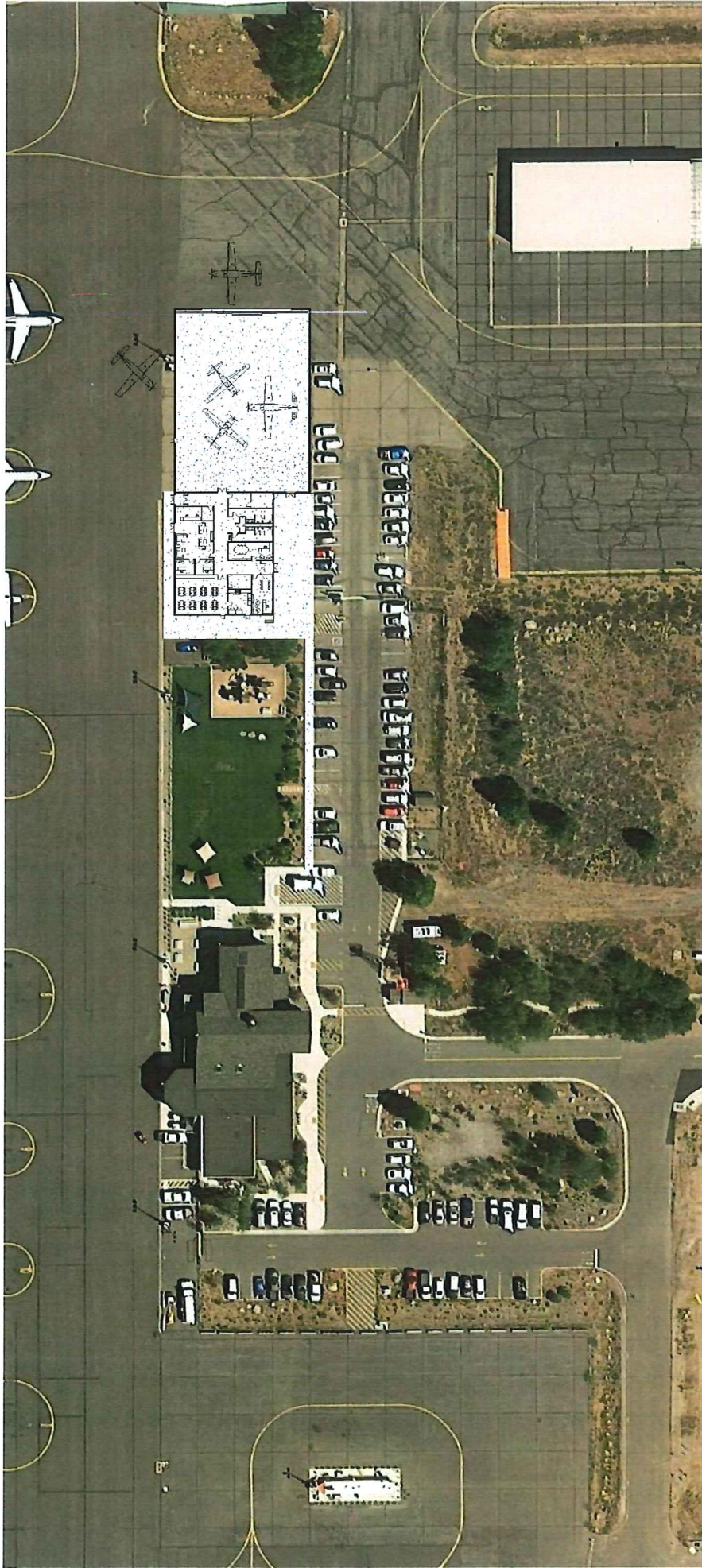
Per the Pro forma it is anticipated the building will generate \$143,000 in cash revenue each year primarily from MLA and Charter Operator leaseholds. Additional non-profit (EAA, CAP) lease revenue is off set with community services.

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



TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
SITE PLAN
07/25/2018

Kevin Smith

From: Jim Wilkinson <jimw@trailrunnerint.com>
Sent: Wednesday, August 15, 2018 10:22 AM
To: Kevin Smith
Subject: Term Sheet

Kevin,

Thanks for meeting yesterday. I am in agreement with the terms outlined in the term sheet, and we are proud to be the new tenant for the new hangar. Let me know what else you might need from me. Thanks so much!

JAMES R. WILKINSON

Chairman and CEO

TrailRunner International

Direct: 415.968.4444

Mobile: 415.613.1789

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Truckee, CA 96161

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WWW.TRUCKEETAHOEAIRPORT.COM

Office of the General Manager

Term Sheet

The Truckee Tahoe Airport District is pleased to present terms for Mountain Lion Aviation lease consideration of the Proposed Hangar 2. The proposed terms and conditions are as follows:

Date: July 31, 2018

Building Owner: Truckee Tahoe Airport District (TTAD)

Lessee: Mountain Lion Aviation (MLA)

Purpose: Construct of an 11,316 sq. ft. hangar shell insulated with utility stubs. The building will be used for hangar space for MLA of which a portion can be converted to office space at MLAs expense. Attached to the 11,316 sq. ft. is an additional 5,500 sq. ft. of office/meeting space constructed by TTAD for public use, Civil Air Patrol, Experimental Aircraft Association, transient airlines, other possible substitute or replacement tenants and TTAD. See Exhibit A.

Construction Start Date: August 2019 with estimated completion by Oct. 2020.

Estimated Cost of Building: \$7,500,000 to \$8,000,000

TTAD Contribution: \$7,500,000 to \$8,000,000

MLA Contribution: \$0 toward construction costs. MLA will be responsible for all tenant improvements

Deliverables to MLA: MLA will receive an 123x92 sq. ft. hangar shell. MLA is responsible for all tenant improvements for any office space desired. See Exhibit B for details on Shell and TIs.

Lease Rates: Hangar Space Lease Rate - .90 per sq. ft. per month for 11,316 sq. ft. or \$10,184 per month.

- CAM Charge:** Paid by Tenant to be determined based on services requested to be proved up annually.
- Term of Lease:** Term depends on MLA investment on Tenant Improvements. District anticipates 10 year lease with one 5 year right to renew.
- Transferability:** MLA has the right to transfer (sell) interest in Hangar 2 per the District Sale, Assignment, or Transfer Policy (pg. 14 of General Aviation Leasing/Rents and Fees Policy.)
- Documentation:** TTAD in consultation with MLA will prepare all documentation, agreements, and contracts as are reasonably required to evidence and carry out the transaction.
- Reply to Proposal:** Although not legally binding, your reply to this proposal is needed no later than August 9, 2018. Final acceptance of proposal is subject to TTAD Board of Directors approval at their August 22, 2018 Board of Directors Meeting.

Upon acceptance of this Term Sheet by MLA, TTAD will work diligently to finalize contract documents as well as work with MLA on final building design details in preparation for contract and terms approval by TTAD Board of Directors and final building design details at the August 22, 2018 Board of Directors Meeting. Please review these terms and conditions at your earliest convenience. MLA and TTAD need to reach mutually agreeable terms as soon as possible in order to deliver building per the proposed timeline. Please let me know if you have any questions.

Proposal submitted by:

Kevin Smith A.A.E,
General Manager

Exhibit B

TTAD will provide

- Exterior parking, site improvements, landscaping, sidewalks, exterior lighting, electrical transformer, basic exterior building finishes.
- Basic insulated hangar (90 feet by 120 feet), with east facing hangar door and man door (location TBD), finished sealed concrete floor, with utility laterals and stubs into hangar space (location TBD).

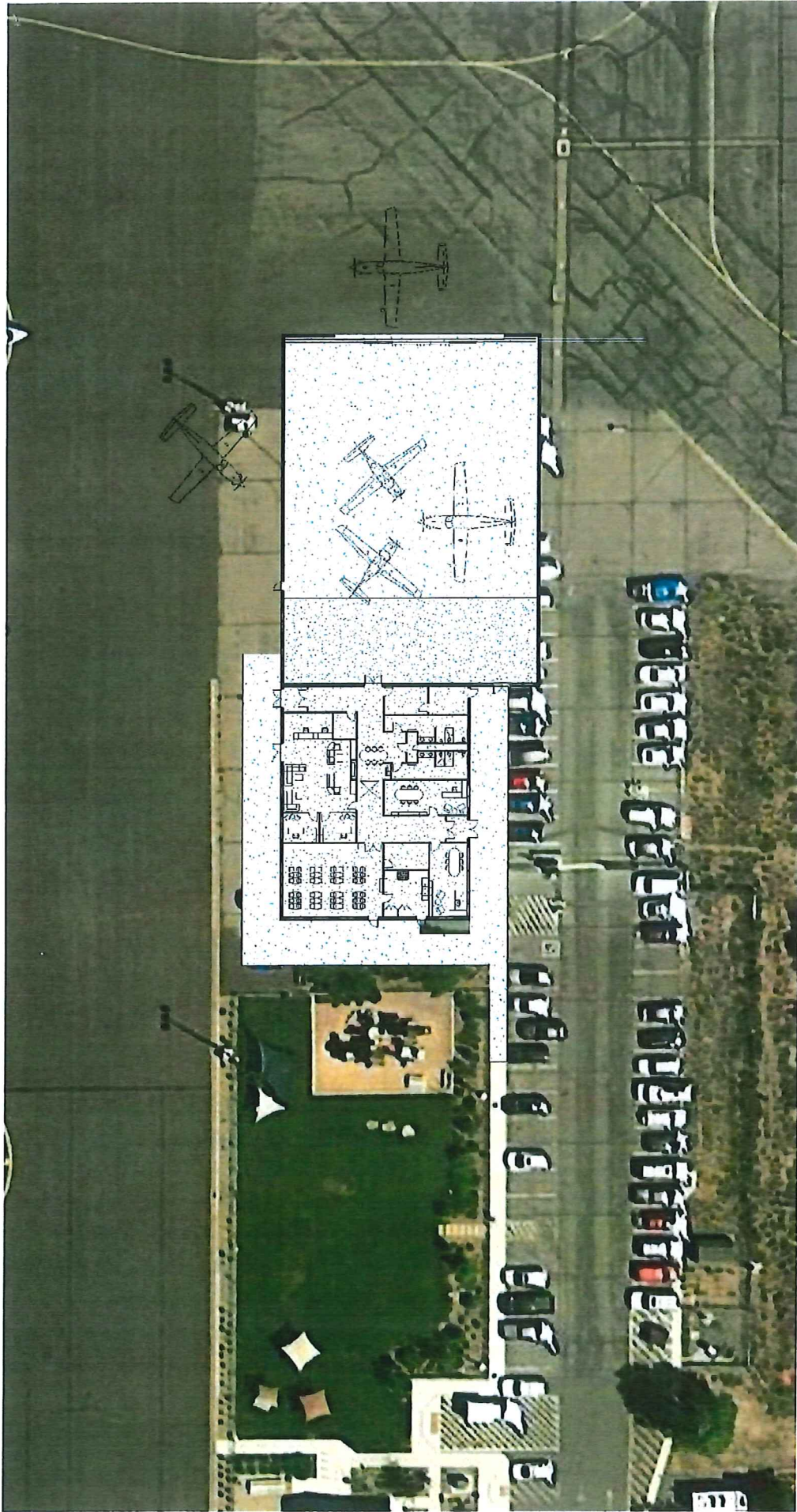
Hangar Core Shell to be provided by TTAD:

- Building pad, footing excavation, interior utility trenching
- Concrete
- Steel Building
- Wall and roof panels
- Insulation
- Floor drains
- Exterior doors and windows per plans
- Fire suppression and alarm (basic distribution)
- Main electrical distribution panel
- Communications entry conduits

Tenant Improvements (TIs) to be provided by MLA as necessary or desired:

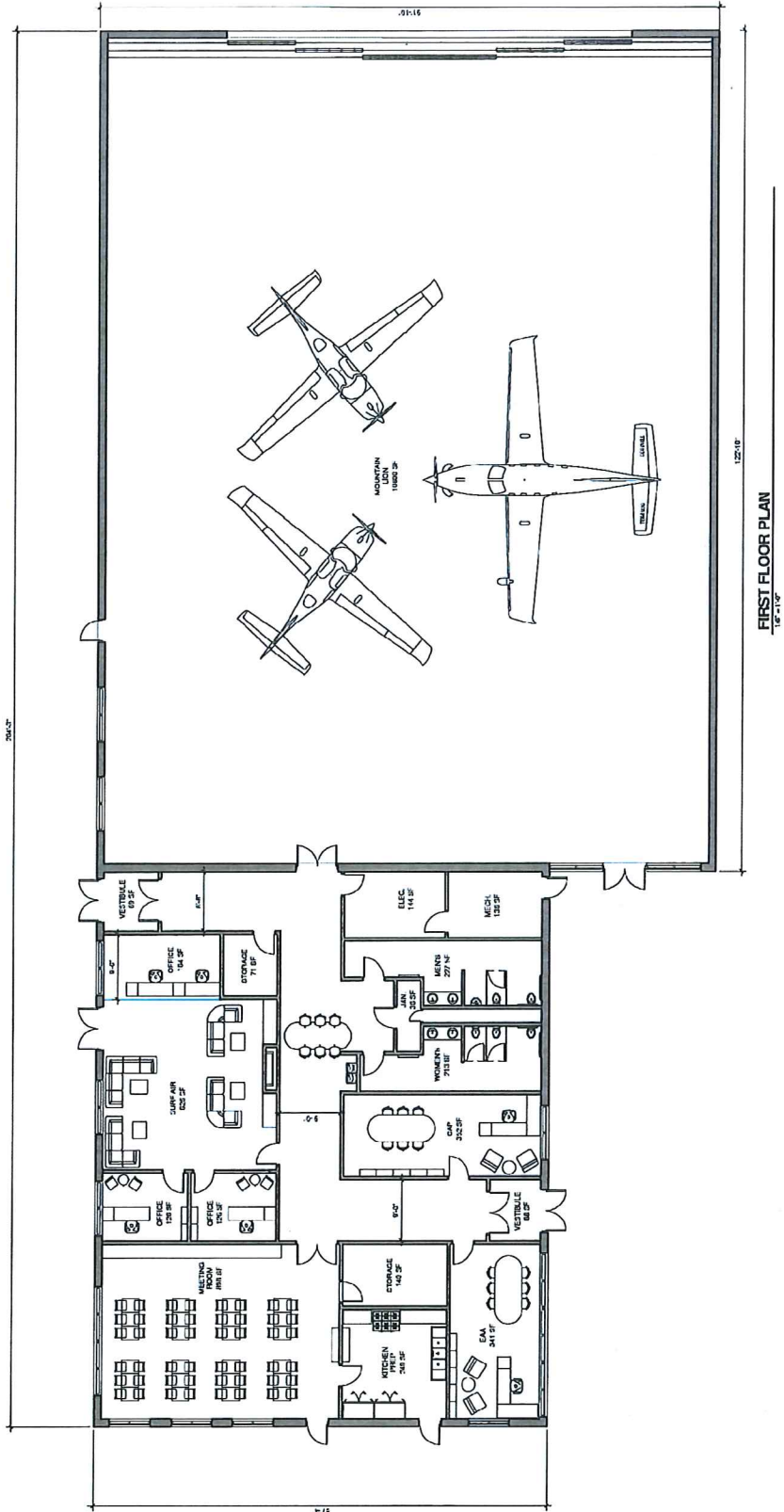
- Interior office and/or wall framing, drywall, texture & painting
- Acoustical treatments
- Finished offices, bathrooms, and Utility rooms (framing, drywall, paint, finishes for code compliance)
- Elevator (if desired by tenant for two story office)
- Water heater, toilets, sinks, backflow preventer,
- Central boiler, chiller & controls
- Main office/hangar HVAC infrastructure
- Final HVAC distribution ducting & improvements
- Fan coil units and ducting for outside air requirements as necessary
- Exhaust fans

- Office doors and transoms/sidelights
- Stained concrete, carpet, flooring, rubber base
- Break area including cabinets, sinks, etc.
- Custom distribution of fire sprinklers and alarm if required
- Interior lights, power and signal distribution, network conduits and power to floor box under desks
- Server room fire suppression
- Electrical Generator equipment and installation if desired.
- Tenant signage
- Security/access control
- Furniture and equipment
- Ceiling fans
- Internet/phone service connections (conduit provided in core and shell)
- Under desk power/data raceways
- Window coverings



TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
SITE PLAN
07/25/2018

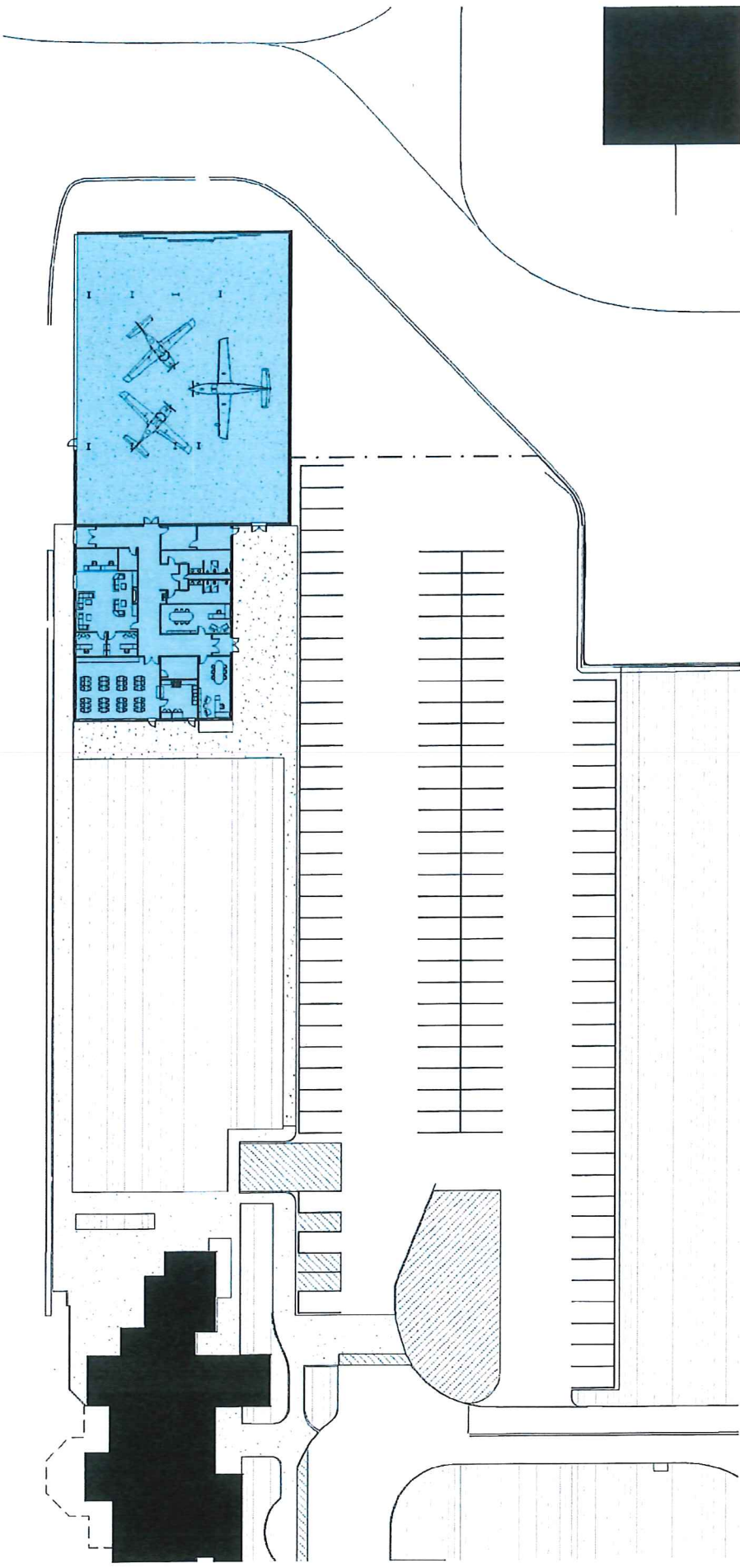
**Mead
& Hunt**
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FIRST FLOOR PLAN
1/8" = 1'-0"

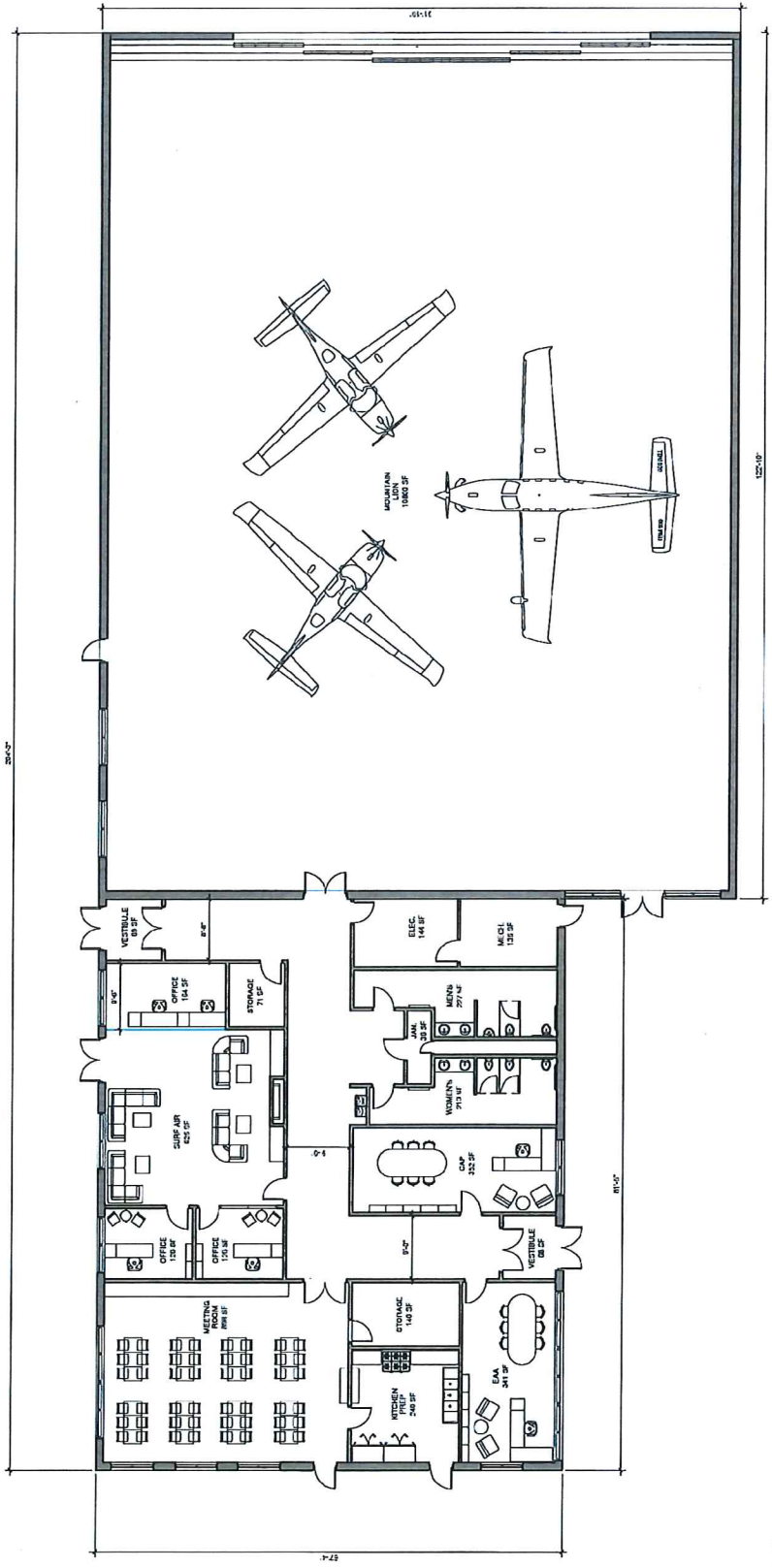
TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 FIRST FLOOR PLAN - OPTION 3C
 07/25/18

Hangar 2 Recommended Option



TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
SITE PLAN OPTION B
OPTION B

Mead & Hunt
A-007



FIRST FLOOR PLAN
1/8" = 1'-0"

TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
FIRST FLOOR PLAN
OPTION 3B

The preferred option for the replacement of hangar 2 will be a 1 story pre-engineered building comprising of a hangar space and general office/meeting spaces. The overall building square footage will be 16,770 sf, subdivided as follows:

Hangar

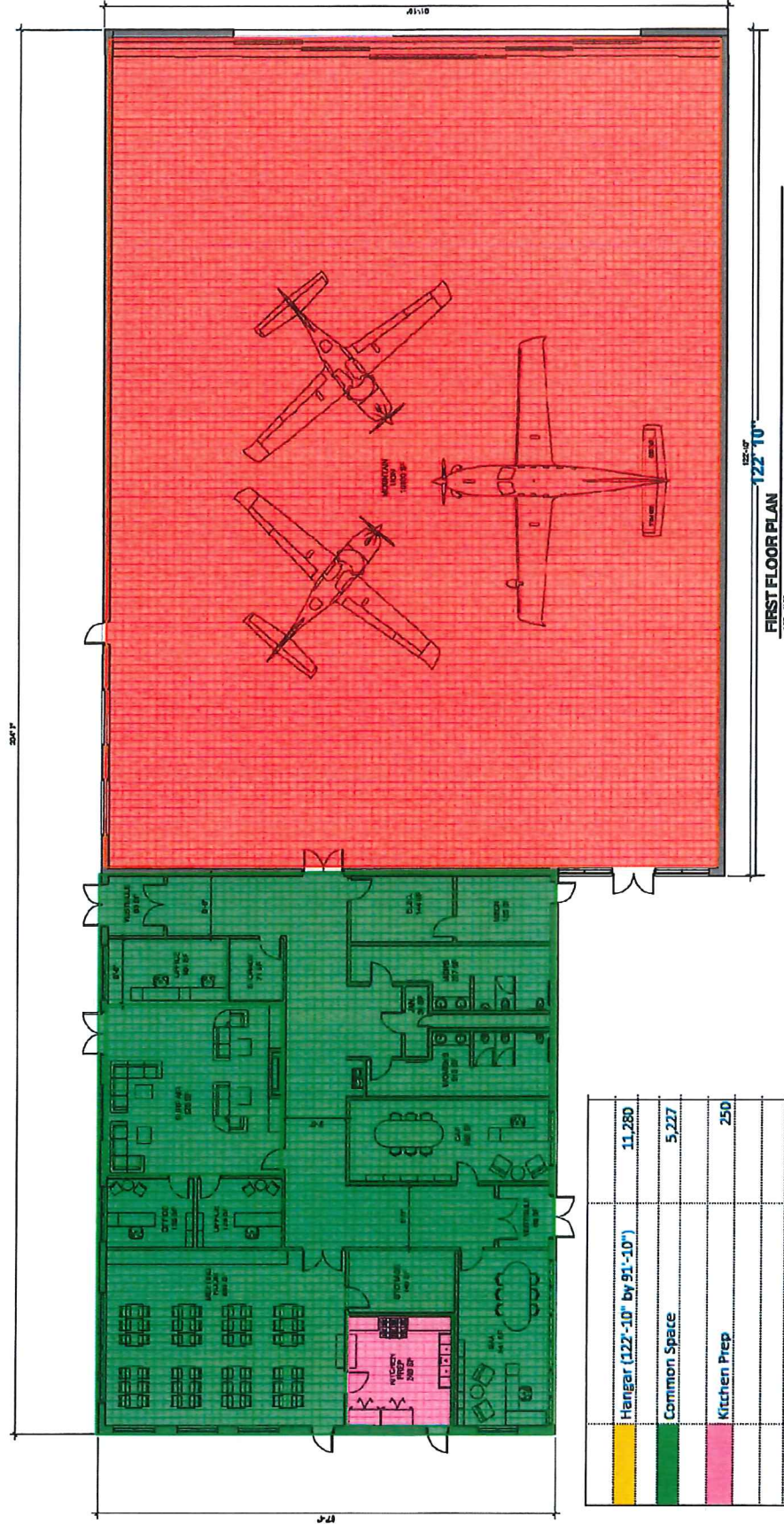
The hangar will be 11,280 sf, with a sliding door facing the east. The hangar door height will be approximately 27'-0". The hangar will be provided as a shell space for future tenant buildout.

Offices

The office space will be a combination of airport tenants and building support spaces. It will be 5,490sf. The office are will include the following spaces and approximate square footages:

Meeting Room	900sf
Meeting Storage	150sf
Kitchen/Prep Space	250sf
EAA space	350sf
CAP space	350sf
Charter Tenant	1000sf

Building support spaces will include restrooms, mechanical, electrical, communication and storage spaces.



Hangar (122'-10" by 91'-10")	11,280
Common Space	5,227
Kitchen Prep	250
Total	16,757

TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 FIRST FLOOR PLAN - OPTION 3C
 07/25/16

Mead & Hunt
 A-101

**Truckee Tahoe Airport District
Hangar 2 - Project Proforma
Results & Assumptions**

Revenue	Rent	CAM	Total
Hangar	8,618,400	3,830,300	12,448,700
Membership/Charters	1,292,200	369,500	1,661,700
EAA	906,100	259,000	1,165,100
CAP	437,100	124,900	562,000
Meeting Room	1,114,800	318,700	1,433,500
Total Revenue	12,368,600	4,902,400	17,271,000
Expenses			
CAM			5,611,400
Building Maintenance Reserves			1,773,500
Total Expenses			7,384,900
Net Operating Cashflow			9,886,100
Development Cost			7,601,800
Net Cash Flow BEFORE Community Offsets			2,284,300
Community Offsets			
	Rent	CAM	Total
EAA	906,100	259,000	1,165,100
CAP	437,100	124,900	562,000
Meeting Room	1,114,800	318,700	1,433,500
	2,458,000	702,600	3,160,600
Alpha 28 - Foregone Rent			461,100
Total Community Offsets			3,621,700
Net Cash Flow AFTER Community Offsets			(1,337,400)
		IRR% before Community Offsets	1.17%
		Break Even before Community Offsets	35

Assumptions

Office - Rent/Sq.Ft.			1.40
Hangar - Rent/Sq.Ft.			0.90
CAM/Sq.Ft.			0.40
Inflation Factor			3.00%
Development Cost			
Office	5,240	438	2,295,000
Kitchen	250	182	46,000
Hangar	11,280	201	2,267,000
Total Building Cost	16,770	275	4,608,000
Sitework			750,000
Total Hard Cost			5,358,000
Design / Architectural Contingency		10%	535,800
subtotal			5,893,800
Design & Construction Administration		14%	825,100
subtotal			6,718,900
Construction Contingency		5%	335,900
Construction Cost 2019			7,054,800
FF & E			100,000
Alpha 28 Improvements			85,000
Total before Contingency			7,239,800
Inflation Contingency		5%	362,000
Total Development Cost			7,601,800

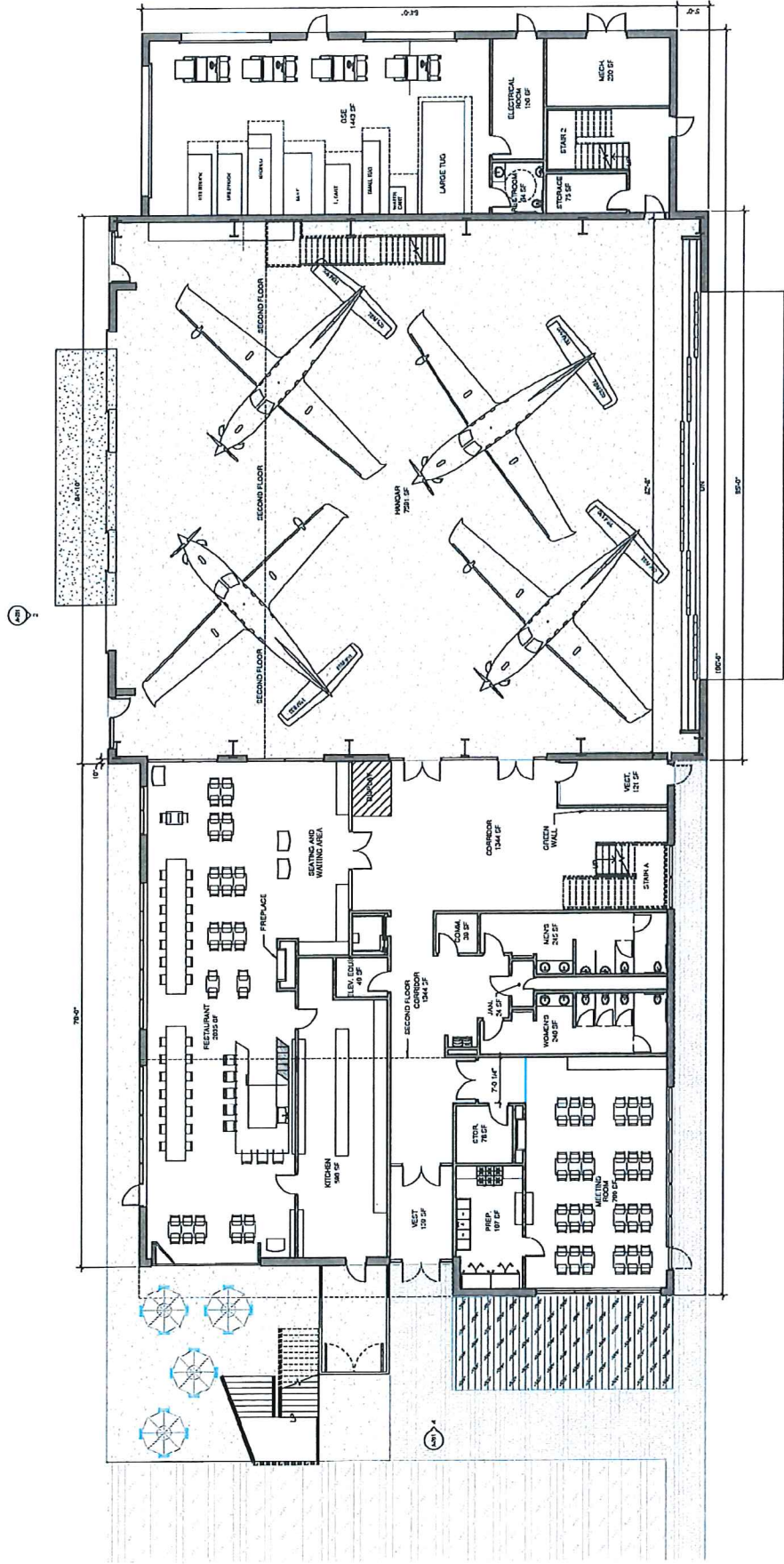
Truckee Tahoe Airport District Hangar 2 - Project Proforma - Hangar Results & Assumptions

Revenue		Rent
Hangar		8,618,400
Hangar - CAM	wash	-
Total Revenue		8,618,400
Expenses		
CAM	wash	-
Building Maintenance Reserves		850,300
Total Expenses		850,300
Net Operatning Cashflow		7,768,100
Development Cost		3,644,800
Net Cash Flow		4,123,300
	IRR%	3.63%
	Break Even	25

Assumptions

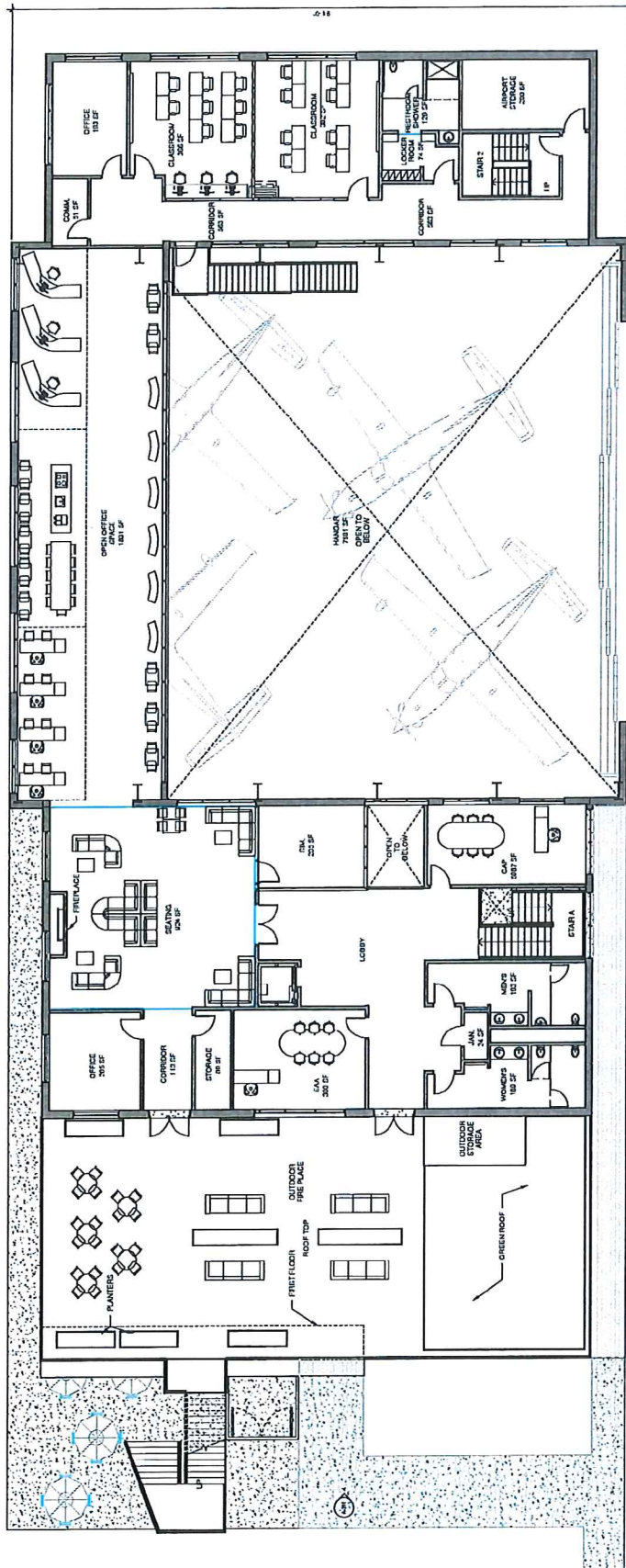
Hangar - Rent/Sq.Ft.		0.90	
Inflation Factor		3.00%	
Development Cost			
	Office	Hangar	Total
Office	2,295,000		2,295,000
Kitchen	46,000		46,000
Hangar		2,267,000	2,267,000
Total Building Cost	2,341,000	2,267,000	4,608,000
Sitework	prorata	381,000	369,000
Total Hard Cost		2,722,000	2,636,000
Design / Architectural Contingency	prorata	272,000	263,800
subtotal		2,994,000	2,899,800
Design & Construction Administration	prorata	419,000	406,100
subtotal		3,413,000	3,305,900
Construction Contingency	prorata	171,000	164,900
		3,584,000	3,470,800
F F & E	office	100,000	-
Alpha 28 Improvements		85,000	-
Total before Contingency		3,769,000	3,470,800
Contingency	prorata	188,000	174,000
Total Development Cost		3,957,000	3,644,800
		52.05%	47.95%

**Hangar 2 Options Considered
but Dismissed due to Cost and
Feasibility Challenges.**

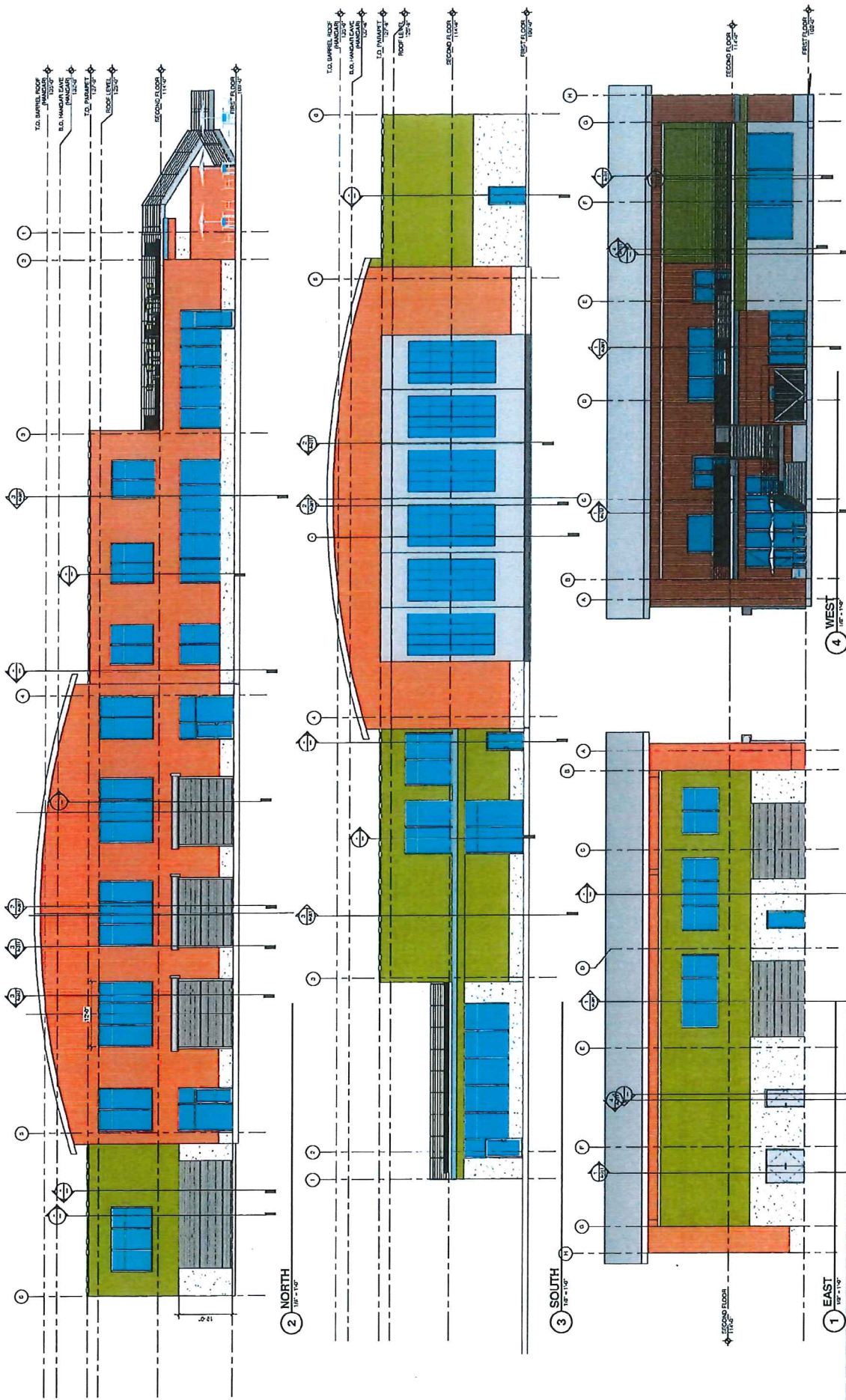


FIRST FLOOR PLAN
10-14

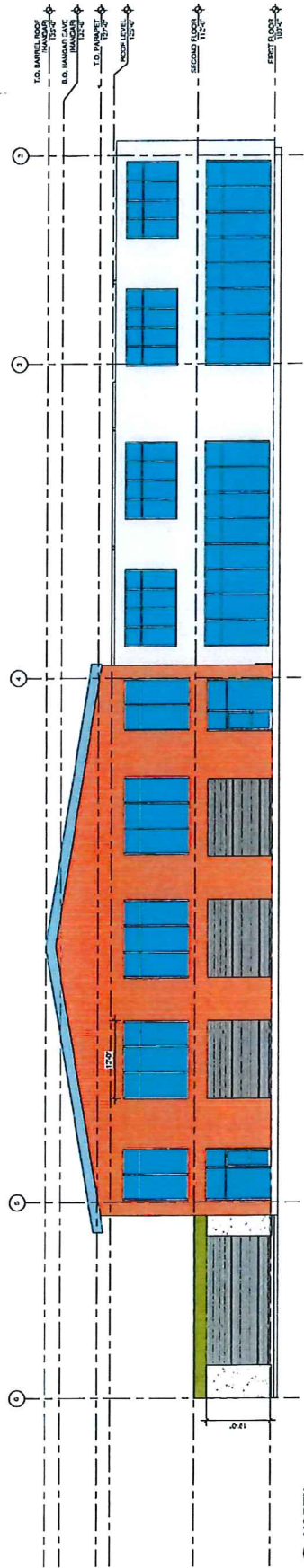
TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 FIRST FLOOR PLAN
 OPTION 1



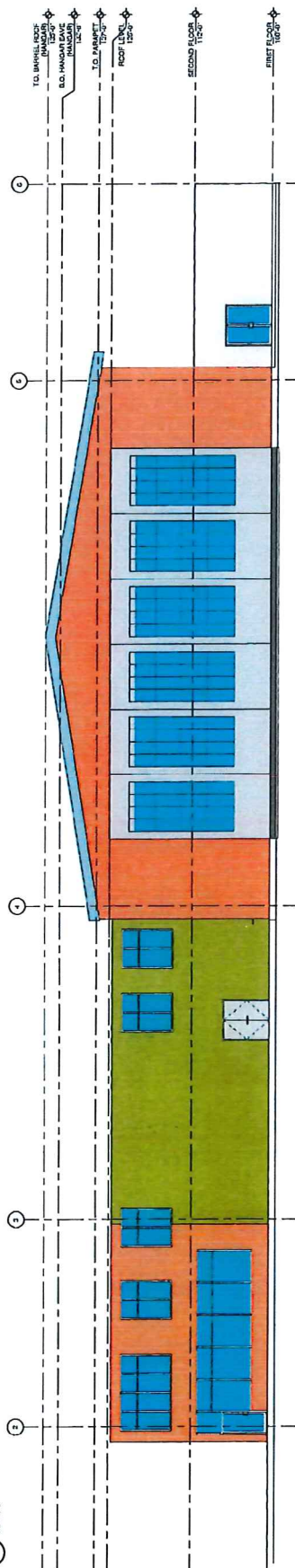
TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 SECOND FLOOR PLAN
 OPTION 1



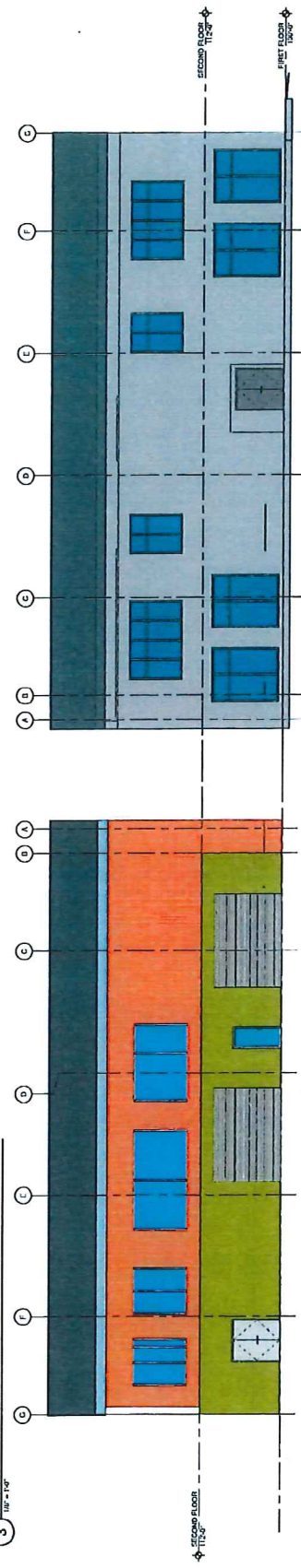
TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 EXTERIOR ELEVATIONS
 OPTION 1



4 NORTH
116'-11 1/2"



3 SOUTH
116'-11 1/2"



2 EAST
116'-11 1/2"

1 WEST
116'-11 1/2"

TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 EXTERIOR ELEVATIONS
 OPTION 2

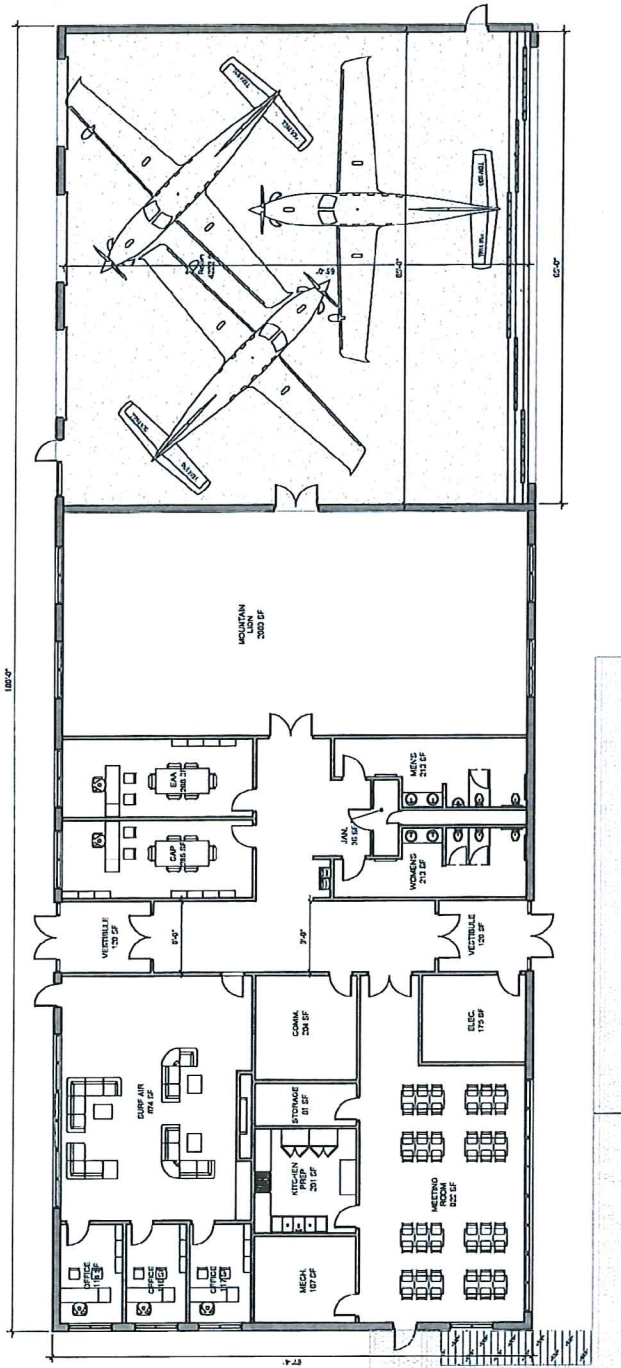
PROJECT BALANCE SHEET- SCHEME 2

DESIGN/CONSTRUCTION	The project consists of a two story structure. Pricing is based on Mead and Hunt drawings dated 11/29/17. The total square foot for the building will be 22,975. Costs are figured for a June 2018 construction start and a total project duration of 10 months.			
	Hangar and Common Space	14804 SF		
	GSE	1697 SF	\$	6,892,500
	Restaurant	2949 SF		
	Mountain Lion	3525 SF		
	Comprehensive Insurance		1.14%	\$ 78,575
	Contractor Fee		5.00%	\$ 348,554
	Design Contingency		5.00%	\$ 365,981
	Construction Contingency		10.00%	\$ 731,963
			Subtotal	\$ 8,417,572

PROJECT DEVELOPMENT	Architectural Reimbursable Expenses	14.00%	\$	1,178,460
	Soil Investigation & Soils Report Allowance		\$	10,000
	Storm Water & Landscape Design Allowance		\$	25,000
	Plan Review Fees, Reimbursable Expense, Permits Allowance		Included	
	Zoning Permit		Included	
	Planning Commission - Certified Survey Fee		Included	
	Preliminary & Final Plat, CDP and Contract Fee		\$	10,000
	Materials Testing Allowance		Included	
	Electrical and Gas Usage Allowance		\$	20,000
	Utility Connect Fee		Included	
	Furniture/Furnishings & Equipment		\$	100,000
	Low Voltage Install & Equipment		\$	4,000
	Moving Expenses		By Owner	
	Hazardous Material Testing & Removal		By Owner	
	Utilities During Construction (gas, electric, water)		By Owner	
	Builder's Risk Policy Allowance		By Owner	
Owner's Contingency		\$	15,000	
		Subtotal	\$ 1,362,460	

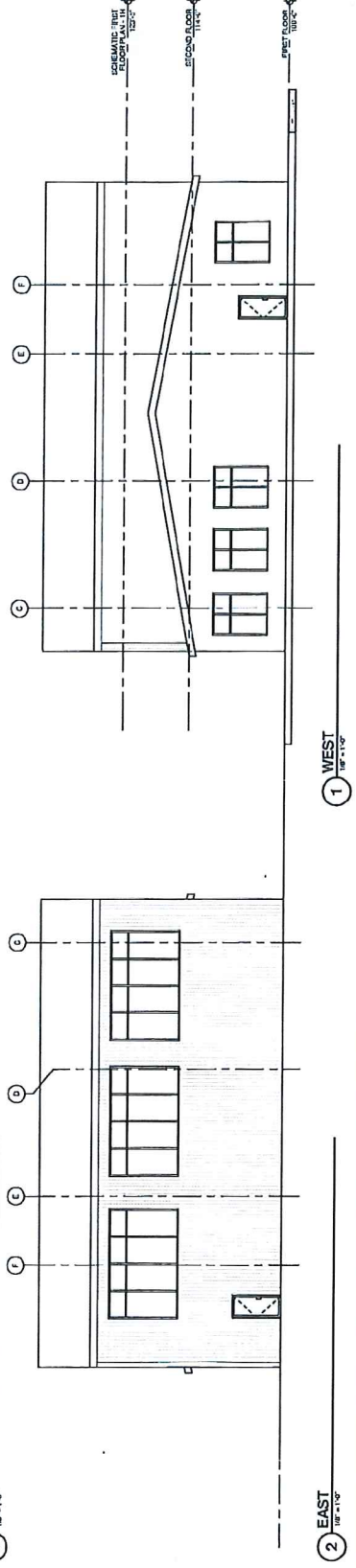
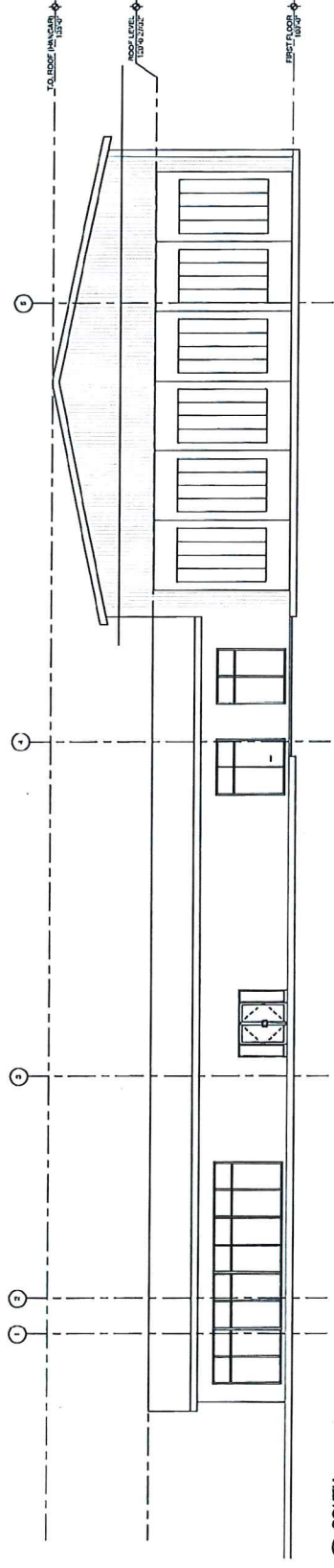
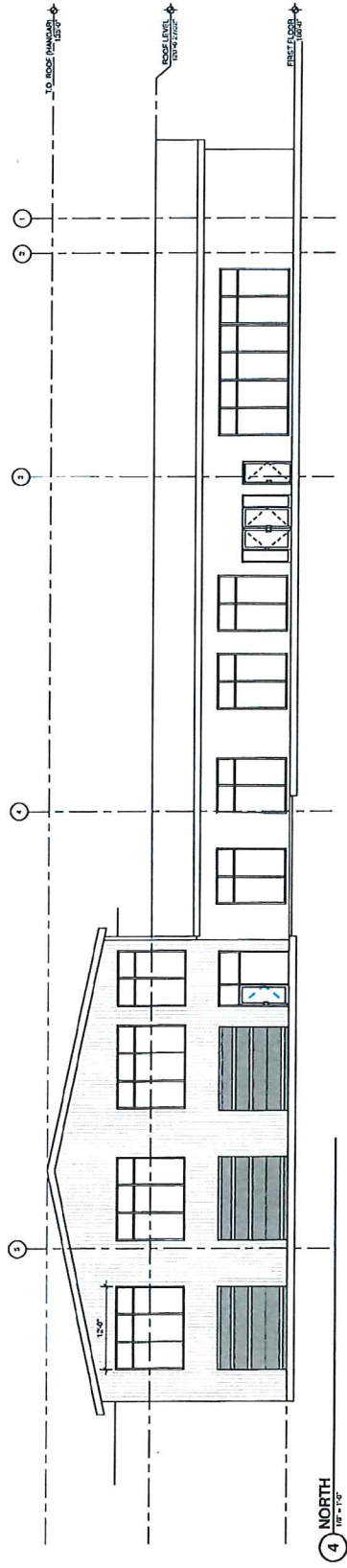
TOTAL	Total Estimated Project Costs		\$ 9,780,033
	Approved Project Budget		\$ -
	Over/(Under) Approved Budget		

ALT. 9	Construction Cost for 2018		\$ 8,417,572
	Construction Inflation for 2019	5.00%	\$ 420,879
	Development Cost 2018		\$ 1,362,460
	Development Cost Inflation	5.00%	\$ 68,123
			Subtotal
		Cost per SF	\$ 447



FIRST FLOOR PLAN
1/8" = 1'-0"

TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 FIRST FLOOR PLAN
 OPTION 3A



TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR 2
 EXTERIOR ELEVATIONS
 OPTION 3A

PROJECT BALANCE SHEET- SCHEME 3

DESIGN/CONSTRUCTION	The project consists of a one story structure. The project includes a hangar, common space, kitchen, restaurant and Mountain Lion area. Pricing is based on Mead and Hunt drawings dated 11/28/17. Costs are figured for a June 2018 construction start and a total project duration of 10 months.			
	Hangar and Common Spac	8585 SF		
	GSE	0 SF		
	Restaurant Kitchen	1170 SF	\$	4,291,305
	Mountain Lion Space	2002 SF		
	Comprehensive Insurance		1.14%	\$ 48,921
	Contractor Fee		5.00%	\$ 217,011
	Design Contingency		5.00%	\$ 227,862
	Construction Contingency		10.00%	\$ 455,724
			Subtotal	\$ 5,240,823

PROJECT DEVELOPMENT	Architectural Reimbursable Expenses	14.00%	\$	733,715
	Soil Investigation & Soils Report Allowance		\$	10,000
	Storm Water & Landscape Design Allowance		\$	25,000
	Plan Review Fees, Reimbursable Expense, Permits Allowance			Included
	Zoning Permit			Included
	Planning Commission - Certified Survey Fee			Included
	Preliminary & Final Plat, CDP and Contract Fee		\$	10,000
	Materials Testing Allowance			Included
	Electrical and Gas Usage Allowance		\$	20,000
	Utility Connect Fee			Included
	Furniture/Furnishings & Equipment		\$	100,000
	Low Voltage Install & Equipment		\$	4,000
	Moving Expenses			By Owner
	Hazardous Material Testing & Removal			By Owner
Utilities During Construction (gas, electric, water)			By Owner	
Builder's Risk Policy Allowance			By Owner	
Owner's Contingency		\$	15,000	
		Subtotal	\$ 917,715	

TOTAL	Total Estimated Project Costs		\$	6,158,538
	Approved Project Budget		\$	-
	Over/(Under) Approved Budget			

ALT. 9	Construction Cost for 2018		\$	5,240,823
	Construction Inflation for 2019	5.00%	\$	262,041
	Development Cost 2018		\$	917,715
	Development Cost Inflation	5.00%	\$	45,886
			Subtotal	\$ 6,466,465
		Cost per SF	\$ 550	