



TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTOR STAFF REPORT

AGENDA TITLE: Revised Super T-Hangar Study Discussion Item and Next Steps

MEETING DATE: April 22, 2020

PREPARED BY: Kevin Smith, General Manager

RECOMMENDED ACTION: Review revised Super T-Hangar Study. Provide guidance and direction to Staff regarding the Board's desire to continue project. There is a detailed Staff Recommendation at the end of this report.

DISCUSSION: In the 2019 budget year the Board of Directors authorized a study to consider the feasibility and financial proforma of constructing additional hangars. In September 2019 staff commissioned Mead & Hunt to complete the Study as part of our Planning Master Service Agreement. Mead & Hunt also completed the 2016 Executive Hangar Study. Mead & Hunt retained Aviation Management Consulting Group (AMCG) to complete the Hangar Rent Study portion of the report. This study was presented to the Board at the February 26, 2020 Board of Directors meeting. Various comments were reviewed, and direction was given to staff to revise the report to include additional information particularly related to proforma data and proposed rent increases. The Study attached to this report includes the corrections and additional data. The following revisions were made to the Study:

- Revised Scenario 3 to consider market rate instead of current rate (page 3)
- Revised Scenario 4 to consider market rate instead of current rate (page 3)
- Added Scenario 6 – debt recovery with 50% bond financing (page 3)
- Corrected error in spreadsheet on major maintenance years, and updated each scenario NPV/IRR (Appendix C)
- Added monthly rental rates in the narrative to provide the reader an alternative way to consider rents.

CURRENT HANGAR PRICING: As a point of reference to assist the Board in deliberations, current hangar rents are as follows:

- Regular T hangars monthly rent - \$396 to \$480 (depending on size)
- Current Super T hangars \$511 (District has 11 of these hangars)
- ***Proposed New Large Super T Hangars \$1400 per month***
- Older Executive Hangars - \$1895 per month
- New Executive Hangars - \$2800 per month

All rents shown do not include Fly-Quiet incentivized rates. Hangar rents are adjusted annually for CPI and are subject to periodic market appraisals.

Raising rent from the previous \$1140 recommended in the original Rent Study reviewed at the February 26, 2020 Board meeting to \$1400 improved the ROIs for the project. Staff's assessment is that it will not be difficult to pre-lease these Super T Hangars at \$1400 per month.

FISCAL IMPACT: The anticipated budget to complete this project is \$5,357,800. The current budget does not include funding for additional design work or construction. The District would need to consider using District reserve funds or borrow funding to complete the project or a combination of both. The Study on pages 24-26 outlines various options. Reserve funds were expected to end the 2020 Budget year at \$4,585,549, however staff is unsure at this time of the full impact of COVID-19 on 2020 District Revenues. The District currently earns \$1,838,635 in annual T hangar and executive hangar revenue with approximately \$825,000 in annual maintenance and debt service netting approximately \$1,000,000 per year.

The District anticipates multiple upcoming projects that could require significant funding. Projects the Board and staff have discussed in past meetings and workshops which are under consideration are as follows:

- Administration Building Addition - \$2,000,000 planned for 2020 & 2021. The current budget includes \$550,000 of the \$2,000,000 forecasted for this project.
- Parking Lot expansion and reconfiguration - \$1,770,000 planned for 2021
- Replacement building for EAA CAP/Hangar 2 and Ground Service Equipment Storage Project – Estimated at \$2,000,000 and planned for 2021 and 2022.
- Permanent Air Traffic Control Tower - Estimated at \$10,000,000. Staff anticipates 50% funding from FAA. Project is tentatively planned for 2025 and 2026.

While these projects have been discussed at board meetings and workshops, they are all conceptual. None have received formal Board approval to move forward aside for design and bidding or the Admin Building expansion. Considering these upcoming projects may be useful in Board deliberations related to planning and construction of additional T hangars.

If the Board desires to move forward with this project it would require 2 fiscal years to complete design, permitting, and construction allowing the District to spread the fiscal impact over 2 Budget years.

STAFF RECOMMENDATION: While staff estimates there is tremendous needs and demand for this product, the Board may want to consider revisiting this item when the full impact and ramifications of the COVID-19 pandemic are better understood. The District will see a noticeable impact on District reserve funds to address revenue shortfalls particularly with fuel sales and ramp services fees. Staff does not recommend allocating \$2,678,900 of District reserve funds until the full impact of COVID-19 is understood. In addition, per the list above, there may be a few other projects we could accelerate which local companies might bid on. This could provide some economic relief and local stimulus. The Parking lot expansion may be one of those projects. It is likely that out of area contracts will be required to build the Super T-Hangars.

SAMPLE MOTION(S): No formal motion is necessary.

ATTACHMENTS:

Revised Super T Hangar Study

Staff Report from February 26, 2020 Board Meeting