



TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTOR STAFF REPORT

AGENDA TITLE: Presentation and Consideration of Super T Hangar Study

MEETING DATE: February 26, 2020

PREPARED BY: Kevin Smith, General Manager

RECOMMENDED ACTION: Receive presentation and consider findings and recommendations of the attached Super T Hangar Study. Provide direction to staff regarding future course of action regarding this proposal.

DISCUSSION: In the 2019 budget year the Board of Directors authorized a study to consider the feasibility and financial pro forma 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. The Attached Study is the final deliverable for this project. Staff as well as Mead & Hunt look forward to Board and public review of this Study and its conclusions and are ready to answer questions or provide additional information as necessary. Mead & Hunt will attend the meeting to present the report.

SUMMARY OF FINDINGS AND RECOMMENDATIONS: The purpose of the Study is to consider the financial feasibility, necessity, and impact of constructing 12 new large or “super” T hangars. Staff and consultants propose a hangar product that could reduce the amount of time applicants spend on the executive and T hangar waitlists. Prior to the construction of the 10 new executive hangars completed in Dec. 2018, it was common for hangar applicants to spend 10 years on the executive hangar waitlist. Even with the construction of 10 new executive hangars, staff estimates a 6 to 7 year wait for an executive hangar depending on the type of hangar an applicant requests. The T hangar waitlist is shorter but still can require 18 to 24 months to get a smaller T hangar. If an applicant is looking for one of our existing larger T hangars for an aircraft with a

wider wingspan, it can take up to four years. Only 11 of our 197 T hangars will accommodate the larger wingspan aircraft such as a Diamond, Cirrus, TBM, Piper Meridian, etc.

This Study identifies and provides details regarding financial feasibility, necessity, and impact of the additional larger Super T hangars. It is an informative Study that details a product not currently available on the Airport. Some of the bottom-line points to consider in the report are as follows:

- Total project cost is estimated at \$5,357,800 for 12 hangars. This includes all soft costs, site work, and building. This estimate includes prevailing wage considerations. (Page 18)
- The proposed hangars will fit most all turbo props (except PC-12s) and light jets on the waitlist.
- There are currently 11 aircraft in our existing executive hangars that will fit in the proposed Super T's. Staff believes some current tenants will be willing to accept one of these new less expensive T hangars thereby making room for PC-12s and larger aircraft on the waitlist. (Pages 6 to 9).
- The best achievable Internal Rate of Return (IRR) is about 1% at market rents of \$1,140 per month per hangar. This assumes TTAD pays cash from District reserve funds. If the District borrows the \$5,357,800 and charges market rent the IRR is a negative 3.37%. (page 25)
- There are various pro forma options for Board consideration in the Study. These options are found on page 25. Staff suggests looking at scenarios with 50% financing as a potential option.
- The IRRs discussed in the study anticipate a 40-year window for revenues and expenses. All expenses are considered including pavement maintenance, hangar maintenance, etc. Some Federal Funding for pavement maintenance was considered in the pro forma.
- It is difficult to ascertain the impact of new hangars on operations and noise and annoyance. Staff indicates in the Study that most aircraft occupying these hangars are currently operating at the airport. Staff agrees there is no way to confirm exactly how 12 new hangars will impact the operational tempo or number of operations at the airport. There is a possibility that operations could increase but it is anticipated that it would be negligible.

It is staff's opinion that there would be high demand for this proposed product. Staff estimates if the new Super Ts are constructed, the time on the executive hangar waitlist will reduce from the current 6 to 7 years to 4 to 5 years and the wait time for a current super T hangar will go down from 4 years to approximately 2 to 2.5 years. It is interesting to note that through the Great Recession from 2007 to 2009 the Executive Hangar Waitlist remained strong with no vacancy. The District did experience vacancy which lasted until 2012 with our smallest T hangars. The District's Super Ts and Executive hangars seem to always have demand even through leaner economic times. In an economic downturn it is likely we would again see vacancy with our smallest T hangars but interest in the larger hangars would again likely remain high in staff's opinion.

Staff is supportive of constructing additional large super T hangars and believes these hangars would address a significant need in aircraft storage. Finding the proper funding mechanism will be the main challenge along with assuring all due diligence, public outreach, and preleasing is completed before a final decision is made.

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 \$1140 per month***
- Older Executive Hangars - \$1895 per month
- New Executive Hangars - \$2,800 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.

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 are expected to end the 2020 Budget year at \$4,585,549 however staff hopes to outperform that projection. 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. 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.

NEXT STEPS: If there is Board of Director interest in pursuing the Super T Hangar project, staff recommends looking at budgeting, financing options, and construction timelines as a next step. Staff can review potential construction timelines and product lead times and match budgeting and/or financing options to fit those timelines to see how they may fit into the District's short-term budgeting as well as the 5 Year Forecast. The Board may want to have a project prioritizing discussion at some point, either in a board meeting or workshop to see how this potential hangar project fits in with the other projects under discussion.

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

ATTACHMENTS:

Super T Hangar Study