



MEETING DATE: February 25, 2015
TO: Board of Directors
FROM: Kevin Smith, General Manager
SUBJECT: Funding Authorization for Clear Capital Building and Car Rental Addition

RECOMMENDATION:

Authorize the transfer of \$1,612,000 from Unrestricted Net Assets to fund design, permitting, and construction costs for the Clear Capital Building. The \$1,612,000 is the required funding necessary in the 2015 Fiscal year to commence the project and carry it through to Oct. 1, 2015. The remaining funds to finalize the building will be included in the FY 2016 Budget. The total costs depend on Board action regarding Option A and B. The \$1,612,000 also includes funding to commence with associated project costs including burying the power lines, design for changes to long term parking, and street scape work. (see breakout in Fiscal Impact)

Staff also recommends approval of Option B from the building alternatives presented in this staff report. Option B will include an additional 1800 Sq. ft. for 2 rental car operators. Ward Young Architects is working on a revised site plan and building elevation which will be presented at the meeting.

DISCUSSION:

Per Board action at the Special Board Meeting on February 11, 2015 the District has signed the Lease and Construction Development Agreement with Clear Capital. District staff is actively working on design and submittal work to meet the construction timeline. The Board needs to authorize funding to move forward with the project per our agreements. The concept of moving the building to the corner of Chandelle Way and Airport Road along with the addition of rental car facilities was discussed at the Feb. 11, 2015 meeting. The next section of the staff report outlines our assessment of this concept.

Rental Car Facility findings

Staff has received strong interest from rental car operators. The District currently has 3 Rental Car operators that operate at the Airport; Hertz, Enterprise, and Avis. Hertz has a lease agreement with the District while Enterprise and Avis drop off cars. 75% of car rentals originating from the Airport are from Hertz, while 24% are from Enterprise and 1% from Avis. The District currently does not receive revenue from drop offs. The General Manager has met and discussed this project with Hertz and Enterprise and both have expressed strong interest in the space. The District's intention is to issue an RFP to the rental car industry and accept the best terms available offered by operators. District staff sees this as a positive addition to the project as well as addressing a standing need to upgrade our rental car facilities.

The attached schedules summarize the financial results of two building alternatives. Option A represents a standalone 10,840 sq. ft. office space building as has been discussed in previous meetings. Option B

represents a 12,640 sq. ft. building which would include the 10,840 sq. ft. of office space as well as 1,800 sq. ft capable of housing two rental car providers.

The schedules are supported by detailed financial models for both project alternatives projecting cash flows through 2045. The financial projections for Option A were part of the information reviewed and discussed at the February 11, 2015, special Board meeting. The concept of Option B was also discussed at the February 11, 2015 special Board meeting however; the financial projections for Option B have not been previously reviewed by or presented to this Board.

The highlights on the attached summary are shown below:

	Option A	Option B	difference
Total Development Cost - Cash	3,458,400	4,095,300	636,900
Annual Revenue	165,200	336,700	171,500
Development Cost Payback - Years	23	13	10
Total Return thru 2045	1,710,000	8,591,400	6,881,400
Cash on Cash IRR%	2.66%	8.31%	311.77%
Developer' IRR%	3.78%	9.09%	240.63%

As you can see above and on the attachment, the increase in building size for Option B increases total development cost but also generates increased rent and financial returns. The main driver of the increased returns is the rental income projected on the rental car space. Rental car income is a combination of rent of building space, parking fees and commission revenue which greatly exceed office space rental rates. Option B also provides certain efficiencies and economies of scale in development cost that cannot be achieved in Option A. These efficiencies would reduce the project cost attributed to the 10,840 sq. ft. office space component by \$150,000.

FISCAL IMPACT:

The fiscal impact of both Option A and Option B are presented in the discussion above as well as on the attachments. The total projected development cost is \$3,458,400 or \$4,095,300, for Options A or Option B, respectively. The total projected return through 2045 is \$1,710,000 or \$8,591,400 for Option A or Option B, respectively.

Of the \$4,095,300 total development cost, it is estimated that \$1,612,000 will be spent through September 30, 2015. The Board will need to allocate \$1,612,000 from unrestricted net assets. The funds will be used as follows:

Spend on Building to Oct 1, 2015	\$ 1,445,000
Spend on Upgrading Hanger 2 for Hertz	\$ 7,000
Spend on Long Term Parking	\$ 30,000
Spend on Streetscape	\$ 20,000
Spend on Burying Utilities	<u>\$ 110,000</u>
Total	\$ 1,612,000

The District's current unrestricted net asset balance as of February 6, 2015 is \$13,022,000. Staff estimates FY2015 usage of these funds at approximately \$3,134,345. This includes:

Clear Capital Building:	\$1,612,000
Aquatic Center funding:	\$405,045
Pavement Management:	\$967,300 (this is a not to exceed number. Additional FAA funding likely)
Misc. Projects and Studies:	\$150,000 (Includes additional ops cameras, Drivers study, etc.)

PUBLIC COMMUNICATIONS:

The financial projections for Option A were part of the information reviewed and discussed at the February 11, 2015, special Board meeting. The concept of Option B was also discussed at the February 11, 2015 special Board meeting however, the financial projections for Option B have not been previously reviewed by or presented to this Board.

ATTACHMENTS:

Office Building Feasibility Analysis – Building Alternatives – 2/18/15

A revised site plan will be presented at the Board Meeting.

Building Floor Plan with Rental Car Facilities

Truckee Tahoe Airport District
Office Building Feasibility Analysis - Building Alternatives
02/18/15

Development Cost Estimates

	Option A	Option B		
	Office Space	Office Space	Rental Cars	Combined
<u>Building Size</u>				
Gross Square Feet	10,840	10,840	1,800	12,640
<u>Direct Hard Cost</u>				
Construction Cost - Core & Shell	1,863,000	1,810,400	300,600	2,111,000
Construction Cost - Basic T.I.s	275,000	275,000	54,000	329,000
Total Direct Hard Cost	2,138,000	2,085,400	354,600	2,440,000
<u>Soft Cost</u>				
Softcost & Permits	449,000	408,200	67,800	476,000
Mitigation & Impact Fees	107,000	102,500	34,500	137,000
Total Soft Cost	556,000	510,700	102,300	613,000
<u>Sitework</u>				
Parking Lot and On-Site Utilities	375,000	335,000	240,000	575,000
Landscape Allowance	100,000	100,000	20,000	120,000
Total Sitework	475,000	435,000	260,000	695,000
Total Development Cost before Contingency	3,169,000	3,031,100	716,900	3,748,000
Contingency	289,400	275,600	71,700	347,300
Total Development Cost - Cash	3,458,400	3,306,700	788,600	4,095,300
<u>Total Development Cost w/ Attributed Land Value</u>				
Total Development Cost - Cash	3,458,400	3,306,700	788,600	4,095,300
Attributed Land Value	450,000	350,000	100,000	450,000
Total Development Cost w/ Attributed Land Value	3,908,400	3,656,700	888,600	4,545,300

Return Summary

	Option A	Option B		
	Office Space	Office Space	Rental Cars	Combined
<u>Cash Flow Returns</u>				
thru 2025	(2,044,000)	(1,833,700)	890,300	(943,400)
thru 2035	(210,000)	86,300	3,269,900	3,356,200
thru 2045	1,710,000	2,123,300	6,468,100	8,591,400
<u>Cash Flow Break Even (years to pay for project)</u>				
Total Development Cost - Cash	23	20	6	13
<u>Internal Rate of Return (IRR %)</u>				
Total Development Cost - Cash	2.66%	3.34%	22.98%	8.31%
Total Development Cost w/ Attributed Land Value	1.80%	2.60%	20.41%	7.42%
Total Development Cost w/ Attributed Land Value w/ Sales ¹	3.78%	4.46%	20.89%	9.09%
With Current Rental Car Revenue Removed thru 2025			14.21%	7.96%
<u>Initial Lease Rate</u>				
Monthly	13,770	13,770	14,290	28,060
Annual	165,200	165,200	171,500	336,700

Truckee Tahoe Airport District
Office Building Feasibility Analysis - Building Alternatives
Projected Cash Flows
2/18/2015

Option A

Office Space

	2015-2025	2026-2035	2036-2045	Total
Operating Cash Flow				
Revenue (net of vacancy allowance)	1,719,000	2,282,000	2,683,000	6,684,000
Expenditures	(305,000)	(448,000)	(603,000)	(1,356,000)
Net Operating Cash Flow	1,414,000	1,834,000	2,080,000	5,328,000
Development Cost				
Construction Cost - Core & Shell	1,863,000	-	160,000	2,023,000
Construction Cost - Basic T.I.s	275,000	-	-	275,000
Other Development Cost	1,031,000	-	-	1,031,000
Total Development Cost before Contingency	3,169,000	-	160,000	3,329,000
Contingency	289,000	-	-	289,000
Total Development Cost	3,458,000	-	160,000	3,618,000
Net Cash Flow	(2,044,000)	1,834,000	1,920,000	1,710,000

Option B

Office Space

	2015-2025	2026-2035	2036-2045	Total
Operating Cash Flow				
Revenue (net of vacancy allowance)	1,719,000	2,282,000	2,683,000	6,684,000
Expenditures	(246,000)	(362,000)	(486,000)	(1,094,000)
Net Operating Cash Flow	1,473,000	1,920,000	2,197,000	5,590,000
Development Cost				
Construction Cost - Core & Shell	1,810,400	-	160,000	1,970,400
Construction Cost - Basic T.I.s	275,000	-	-	275,000
Other Development Cost	945,700	-	-	945,700
Total Development Cost before Contingency	3,031,100	-	160,000	3,191,100
Contingency	275,600	-	-	275,600
Total Development Cost	3,306,700	-	160,000	3,466,700
Net Cash Flow	(1,833,700)	1,920,000	2,037,000	2,123,300

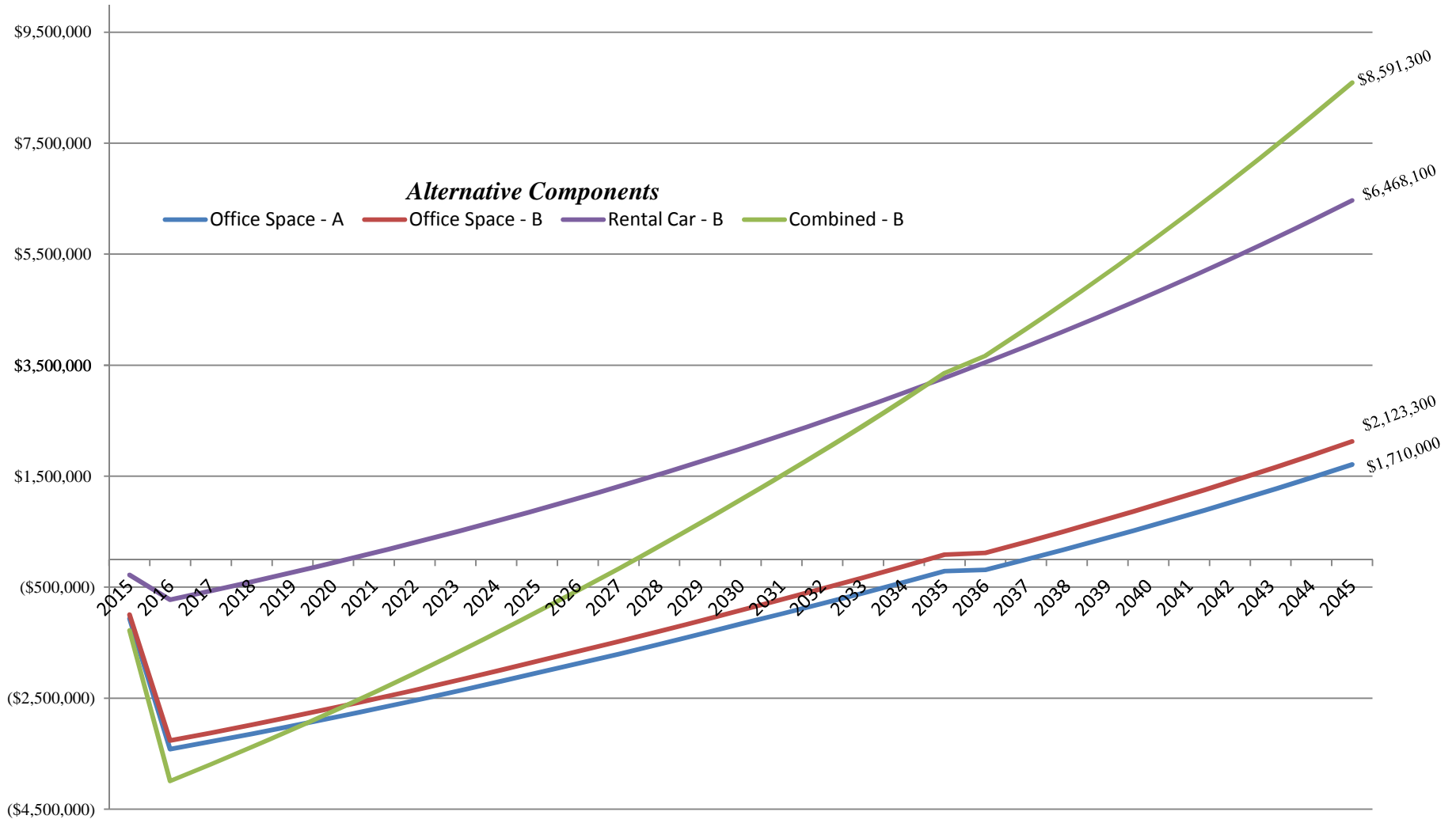
Rental Car

	2015-2025	2026-2035	2036-2045	Total
Operating Cash Flow				
Revenue (net of vacancy allowance)	1,743,800	2,475,100	3,326,600	7,545,500
Expenditures	(64,900)	(95,500)	(128,400)	(288,800)
Net Operating Cash Flow	1,678,900	2,379,600	3,198,200	7,256,700
Development Cost				
Construction Cost - Core & Shell	300,600	-	-	300,600
Construction Cost - Basic T.I.s	54,000	-	-	54,000
Other Development Cost	362,300	-	-	362,300
Total Development Cost before Contingency	716,900	-	-	716,900
Contingency	71,700	-	-	71,700
Total Development Cost	788,600	-	-	788,600
Net Cash Flow	890,300	2,379,600	3,198,200	6,468,100

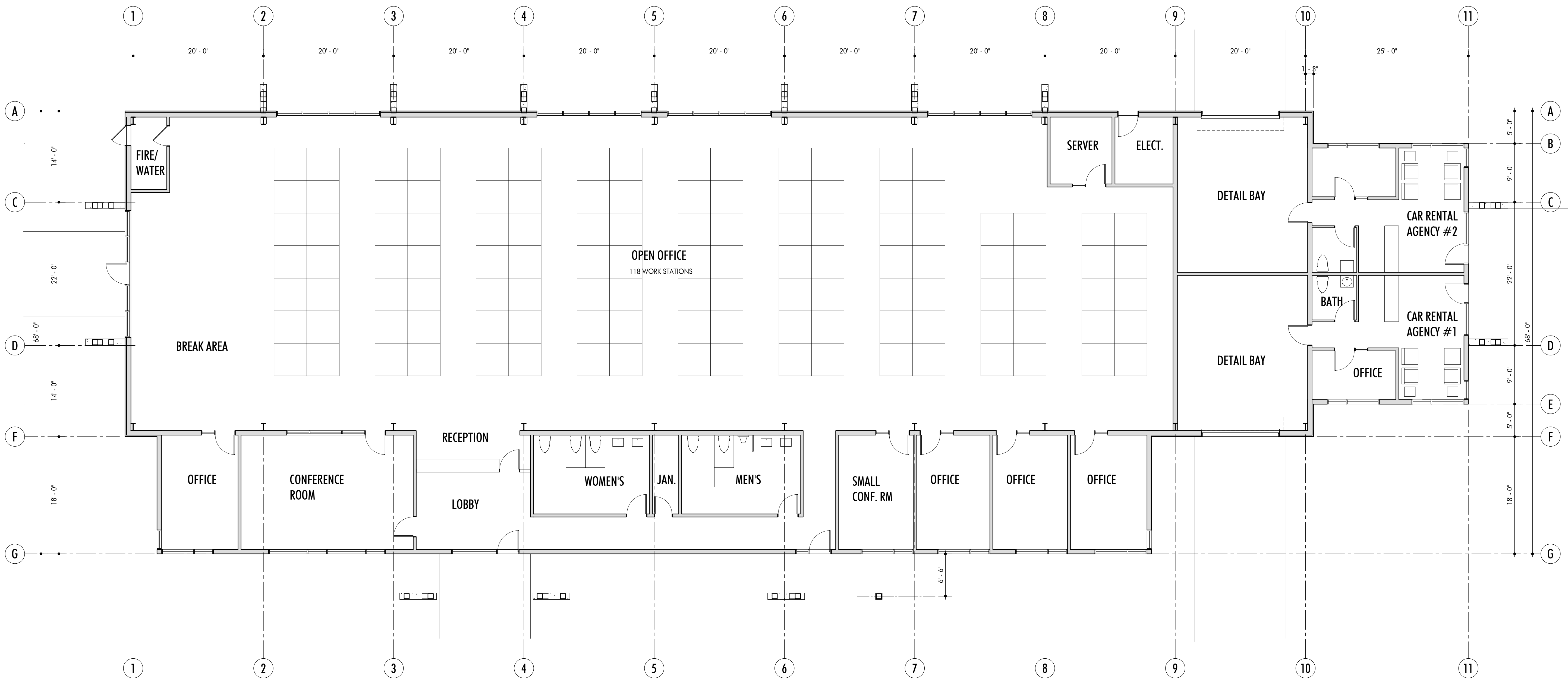
Combined

	2015-2025	2026-2035	2036-2045	Total
Operating Cash Flow				
Revenue (net of vacancy allowance)	3,462,800	4,757,100	6,009,600	14,229,500
Expenditures	(310,900)	(457,500)	(614,400)	(1,382,800)
Net Operating Cash Flow	3,151,900	4,299,600	5,395,200	12,846,700
Development Cost				
Construction Cost - Core & Shell	2,111,000	-	160,000	2,271,000
Construction Cost - Basic T.I.s	329,000	-	-	329,000
Other Development Cost	1,308,000	-	-	1,308,000
Total Development Cost before Contingency	3,748,000	-	160,000	3,908,000
Contingency	347,300	-	-	347,300
Total Development Cost	4,095,300	-	160,000	4,255,300
Net Cash Flow	(943,400)	4,299,600	5,235,200	8,591,400

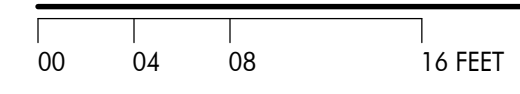
Truckee Tahoe Airport District Office Building Feasibility Analysis - Building Alternatives Break Even Review 2/18/2015



TTAD
 OFFICE/WAREHOUSE BUILDING
 TRUCKEE, CALIFORNIA



FLOOR PLAN



REVISIONS

PROJECT NO.
15004

SCALE
1/8" = 1'-0"

DRAWN AS CHECKED LY

DATE
FEB 19, 2015

PROGRESS PRINT

SHEET TITLE

FLOOR PLAN

SHEET NO.

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