



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of May 13, 2024

Title/Subject

Resolution 2322: T-Hangar Omnibus Grant Application Authorization.

Summary and Background

The Airport is replacing underutilized “Open T-Hangars” with new enclosed T-Hangars at a total contracted price of \$1,726,751.09; of which 89.1% is anticipated to be paid for through a combination of FAA and State of Oregon grant funding. All-told, this project is anticipated to receive six distinct grant awards. To streamline the process and prevent continual requests for council action on the same project, this resolution requests authorization to execute all anticipated grant documents for the remainder of the project as one omnibus package.

City Council has already awarded construction contracts for the project; which is a requirement of FAA prior to issuance of grant funds for the exact contracted amount. Therefore, the total contracted cost of the project is already established as \$1,726,751.09.

The Airport was awarded two State of Oregon “COAR” grants totaling a combined \$500,000. These grants have already been authorized by City Council.

The Airport was awarded \$872,000 in federal grant funding via the “Bipartisan Infrastructure Law” (BIL- 2021). Unfortunately, in order to cashflow this promise, the federal government has only provided it in annual disbursements over the course of 5 years. These funds are managed by the FAA’s regional office, and must actually be “applied for” by the airport which was already awarded them. The current amount available to the Hermiston airport is \$584,000, with the remaining \$288,000 available as reimbursement in FY’27. This will technically create two grants, one for \$584K, and one in 2027 for \$288K.

The Airport annually is entitled to \$150,000 in “Annual Improvement Program” FAA grant funding as a public General Aviation airport in the federal system (AIP). Although these funds are obligated to the Hermiston Airport, the Airport must apply for them when there is a project. AIP currently banked in Hermiston’s account total \$165,000.

The Airport previously charged monthly rent for the Open-T-Hangars of \$50, with the facility 20% to 30% occupied at any given time. The new Enclosed T-Hangars have been approved to charge monthly rents of between \$275 to \$325 per month, with a waitlist established. It is

projected that upon completion, the Airport will see a net-increase in hangar revenue (accounting for baseline revenue from Open-T's) of approximately \$26,000 per year.

Based on the construction cost in FY'25, planned grant revenue between FY'25 and FY'27, and net increase in annual rental revenue, it is projected that the hangar project will begin turning a profit to become a net positive financial contributor to Airport operational costs by FY'32. Approximately a 7 year return on investment for the local taxpayer match required of \$189,751.

Due to the multiple grants involved, it is being requested to allow the City Manager to apply for, and execute, all of the anticipated grant agreements collectively at this time. Included with this packet is the application packet for the first \$584,000 of BIL funding.

Tie-In to Council Goals

Goal 1 Economic Development.

Fiscal Information

This project will require a local taxpayer match of \$189,751, which is projected to be repaid to the City's General Fund through user fees (hangar rent) within 7 years.

	FY '24	FY '25	FY '26	FY '27	FY '28	FY '29	FY '30	FY '31	FY '32
BIL Available		\$ 584,000		\$ 288,000					
COAR Available		\$ 500,000							
FAA AIP		\$ 165,000							
Marginal Revenue		\$ 12,000	\$ 26,520	\$ 26,520	\$ 26,520	\$ 26,520	\$ 26,520	\$ 26,520	\$ 26,520
Hangar Construct		\$ (1,726,751)							
Running City Balance	\$ -	\$ (465,751)	\$ (439,231)	\$ (124,711)	\$ (98,191)	\$ (71,671)	\$ (45,151)	\$ (18,631)	\$ 7,889

Alternatives and Recommendation

Alternatives

1. Approve Resolution 2322.
2. Reject Resolution 2322.
3. Table and request changes.

Recommended Action/Motion

Motion to approve Resolution 2322.

Submitted By:

Mark Morgan, Assistant City Manager