

Mn/DOT HANGAR LOAN PROGRAM
October 14, 2020**Program Overview**

The Minnesota State Legislature established the Hangar Loan Program in 1957 through Minnesota Statute 360.305 subd.4(h). The current capitalization of the loan program is \$4,400,000. Its purpose is to provide loans to publicly owned airports allowing them the ability to construct revenue generating hangar facilities and provide protection to the fleet of general aviation aircraft. The Commissioner of Transportation maintains the account and loans are processed through the Minnesota Department of Transportation Office of Aeronautics.

Loans are granted to airports that demonstrate a need for hangar facilities. The loans are for constructing new hangar facilities and are available for up to 80% of the actual construction costs. The loan agreement obligates the airport to own and maintain the hangar for a minimum of 20 years and requires the hangar to be used for storing aircraft. The loan obligation requires the airport to reimburse the State by making monthly payments over a period of 20 years. The current rate of interest on these loans is zero percent.

The municipality is responsible for design, construction advertisement, bid letting, and construction supervision. The hangar loan is issued upon a satisfactory final inspection by the state and certificate of occupancy by the local zoning authority.

Eligibility Requirements

To be eligible for a hangar loan the airport must be publicly owned, licensed for public use, identified in the state system of airports (currently 133 airports), and properly zoned or in the process of zoning to bring it up to current zoning requirements?.

Revolving Loan Fund Use

75 communities have utilized 209 loans to build 1,118 aircraft storage hangars since the first loan was issued in 1959. Currently, there are about 10 airports with hangar loans being repaid.

Current Hangar Demand

There are 4 airports requesting hangar loans. The waiting list for loans currently extends through the next 5 years.

Steps to get a Hangar Loan

First requirement is to have the hangar site prep on the sponsor's CIP (Capital Improvement Plan) list, along with a line for the loan for the building.

The sponsor is ***not*** on the hangar-loan-wait list **until** they submit a request letter on city letter head and sponsor officially signed and dated. With the request letter we will need a simple drawing with basic dimensions and the intended aircraft storage layout. Along with this simple hangar drawing the location needs to be shown on the approved airport layout plan.

The request letter needs to include an estimated cost break out to include:

- Cost of the building itself including the engineering. 80% of the final cost is the loan amount (10% over is the maximum), or funds available.

- Cost of the site prep., (up to the floor slab). The site prep funding can be a CIP grant, subject to the rules Funding Rates Letter...dependent on funding availability.

Once funding becomes available, the sponsor is notified, they must verify intention to move forward with the project. The sponsor has 6 months to get their design done and get the formal request letter in with the actual design and bid tabs.

This is the point when we will write a hangar loan and send it to the sponsor for execution... the same procedure as a State Airports Fund grant. We will also write and send the site preparation grant at the same time if one has been granted.

We need to have a separation between the building and site preparation parts of the project; meaning there needs to be separate design for the site prep. and building. We are using two separate funding mechanisms to support this project, so we need 2 separate bid schedules so that we can see which expenses are being paid for by the grant and which is paid for by the loan.

Once these two agreements are executed, work on the project can begin.

The site prep grant funds will be reimbursed as the work progresses with credit application submittals with supporting documentation and proof of payment are submitted.

The Hangar Loan will be dispersed to the sponsor once the hangar is complete: this includes payment of the contractor in full, certificate of occupancy has been issued to the sponsor, final walk through with an invitation to the involved Regional Airport Development staff involved and of course pictures.

Repayment information will be provided to the sponsor with the loan funds.

Very seldom are the actual cost of the complete hangar the same as the original loan was written for. There is normally an amendment to align the actual dispersed loan amount with the actual cost of construction; sometimes more, sometimes less.