



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-412

SYNOPSIS -

AGENDA:

SEPTEMBER 13, 1999

At its regular meeting of August 23, 1999, the City Council directed staff to prepare the form of economic development assistance for Access Air. The effort was to be structured so that all of the participating municipalities, and the County, were able to take part on the same basis. The participation of the City of Des Moines was to be \$500,000.

SUBJECT:

ACCESS AIR

FISCAL IMPACT -

TYPE:

Of the \$500,000 contributed by the City, approximately \$150,000 will be in the form of grants from the Airport for Access Air service to new locations (e.g., Orlando; Washington, DC; and San Francisco) and \$350,000 will be in the form of a loan from the Economic Development Loan Pool. The funds are available. They will be drawn down, as described below, or the next 12 months.

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

ERIC A. ANDERSON
CITY MANAGER

RECOMMENDATION -

Approve the contribution of up to \$150,000 and the loan of up to \$350,000 to Access Air as described herein, and authorize the Mayor to sign a contract based on these provisions, approved as to form by the Corporation Counsel.

BACKGROUND -

Access Air, a locally formed airline serving Des Moines and connecting with New York and Los Angeles, has requested \$500,000 in an economic development loan from the City. It has also requested assistance from Polk County and our suburbs. The purpose of the loan is to assist in the expansion of

the airline from three to seven planes and enable them to serve additional cities from Des Moines. The airline is a relatively new startup venture with its financial base in local businesses. It is estimated that average rates for other airlines serving Des Moines have dropped 30% since Access Air began operations.

Access Air has asked to receive the funds within the next nine months and would prefer to have a two-year term for the loan with no payments in the first year and full repayment in twelve equal payments in the second year.

At the August 16, 1999, meeting the City Council referred the matter of funding and configuration of the package for Access Air to the City Manager for recommendation by August 23, 1999. At its meeting of August 23, 1999, the City Council directed staff to prepare the form of economic development assistance for Access Air. Funds are available in the Economic Development Loan pool and from the Airport.

Preliminary agreement has been reached with my counterparts in other participating cities in the region. We have structured the proposed agreement as follows:

The loan pool will be made up of the contributions of the participating cities and counties who wish to use this vehicle. Funds from it will be disbursed monthly to Access Air over one year based on a fixed amount for each aircraft landed by Access Air at the Des Moines Airport. This amount is derived by dividing the loan pool amount by the number of Access Air's projected landings for one year according to their business plan. If the projected number of landings is not achieved, there will be no obligation to pay the unused portion of the loan pool to Access Air. If the projected number of landings is exceeded, there shall be no obligation to pay funds to Access Air in excess of the established loan pool amount.

Any funds not paid out of the loan pool at the end of the one-year period would be returned to the participating governments, with any accrued interest. The principal amount of the loaned funds (i.e., without interest) will be repaid to the loan pool by Access Air in equal monthly installments in the second year. All repayments will be distributed back to the participating local governments in the same proportion as their respective funds were paid into the loan pool. The participation of the City of Des Moines in this loan pool will be \$350,000.

In addition, Des Moines, through the Airport, will grant Access Air an additional \$150,000. This will take two forms. First, the Airport will grant a waiver of landing fees for two months for new service initiated by Access Air as defined in Airport policy. Second, the Airport will grant Access Air \$25,000 for use for advertising each new service as it is undertaken as described in Airport policy.

Both these forms of economic development assistance, the loan pool and the grants, are dependent upon Access Air performing to its business plan over the course of the next 12 months. If it fails to do so; e.g., lands fewer planes or does not initiate new services anticipated in its business plan, it does not receive assistance in proportion to its failure. If it succeeds in doing so, it receives assistance in proportion to its success. Furthermore, the payments will be conditioned upon Access Air being current in its payments for landing fees and other obligations.