

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-208

SYNOPSIS -

AGENDA:

MAY 1, 2000

SUBJECT:

APPROVAL OF
AIRPORT LOAN
AGREEMENT WITH
MEREDITH
CORPORATION

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

WILLIAM F.
FLANNERY
AVIATION
DIRECTOR

KEVIN RIPER
FINANCE
DIRECTOR

On April 4, 2000, by Resolutions Nos. A99-123 and A99-125, the Airport Board approved two contracts totaling \$1,835,327.50, for the construction of a new Airport Airfield Maintenance Facility. Although the construction contracts have been conditioned so that the contractors cannot do work beyond the funding available for the project, a loan from Meredith Corporation is essential to complete the projects in time for Airport crews to occupy the new facility prior to next winter. The Airport loan agreement is consistent with the loan terms specified in the existing lease agreement with Meredith Corporation approved by the City Council on August 23, 1999, by Roll Call No. 99-2676. On April 17, 2000, by Roll Call No. 00-1091, City Council set a Date of Public Hearing for May 1, 2000. On April 19, 2000, by Resolution A00-142, the Airport Board recommended approval of the loan from Meredith Corporation.

FISCAL IMPACT -

The proposed loan is for up to \$1,000,000, a term of ten years, an interest rate of 7%, and is to be subordinate to the existing Airport Bond Resolution. Interest payments will be due quarterly on the first day of October, January, April, and July. Principal payments will be due in equal annual installments beginning on the earlier of January 1, 2001 or the date of the final disbursement of loan proceeds. If the full \$1,000,000 is needed, equal annual principal payments of \$100,000, beginning January 1, 2001, will be required with the interest payments made quarterly. Under this required repayment plan, total annual debt service will decrease from a maximum of \$170,000 in the first year to \$107,000 in the final year. The loan can be paid off in its entirety, without penalty, at the end of any year.

Under the existing lease agreement, Meredith is obligated to

pay, at a minimum, land rental of \$75,386.22 per year. In addition, Meredith remains obligated to pay a fuel flowage fee on each gallon of aircraft fuel delivered into their fuel storage facility. Historically, Meredith has paid approximately \$25,000 per year in fuel flowage fees. Therefore, Airport fees paid by Meredith will be sufficient to offset most of the cost of payments due under the proposed loan agreement. Any remaining funds needed to make the loan payments are to come from the Airport Enterprise Fund.

RECOMMENDATION -

Approval.

BACKGROUND -

On August 23, 1999, by Roll Call No. 99-2676, the Council approved a land lease agreement with Meredith Corporation allowing for them to construct an aircraft hangar at the Airport on a site currently occupied by the Airport's Airfield Maintenance Facility. The lease has a term of 20 years, beginning on September 1, 1999 and expiring on August 31, 2019, with two, five-year options that are subject to approval of the City. Under the lease, Meredith will pay an annual rental amount of \$75,386.22, and is to develop an aircraft hangar facility with an estimated cost of approximately \$3,000,000. Ownership of all buildings and improvements constructed on the leased premises will remain with Meredith during the lease term and be subject to ad valorem taxes. Ownership of the improvements will revert to the City (Airport) at the expiration or termination of the lease.

Additionally, the lease provides that Meredith will: (1) demolish the existing Airfield Maintenance Facility after the Airport has vacated and relocate the electric, gas, water, and sewer utilities; (2) relocate the Airport's existing underground storage tanks which contain fuel and glycol to the new site and have the tanks recertified; (3) construct a new Taxiway R-2; and (4) assist in the construction of the new Airfield Maintenance Facility, provide to the Airport a loan, subordinate to the existing Airport Bond Resolution, for up to \$1,000,000 with a term of ten years at an interest rate of 7%. The cost of items 1 through 3 above is estimated in excess of \$390,000. Any costs in excess of that amount will be borne by Meredith.

The location of the new Meredith hangar is to be on the north side of the Airport, south of McKinley Avenue, just west of Fleur Drive. Currently, this is the site of the Airport's existing Airfield Maintenance Facility. Therefore, to make way for the new Meredith hangar, a new Airfield Maintenance Facility is to be constructed on the south side of the Airport. The Airport Master Plan includes the relocation of the Airfield Maintenance Facility from its present location on McKinley Avenue to a site south of old Army Post Road.