

Staff Report

AIRPORT IMPROVEMENTS - TERMINAL & HANGER

July 14, 2015

BACKGROUND:

The decision to upgrade our Airport Terminal dates back to as early as the FY 2008-2013 Capital Improvements Plan (CIP), where a \$715,000 project was included with the expectation that the Federal Aviation Administration (FAA) would pay 90% of the estimated cost. The project that remained in the next three CIPs reflected this same total and federal fund support. Beginning with the FY 2012-2017 CIP, the terminal replacement project cost was increased to \$2,200,000 with 90% projected from the FAA.

In December 2012, the City Council directed the staff to include a \$3,200,000 Airport Terminal and Hangar project into the third year of the FY 2013-2018 CIP. This total was derived from an analysis prepared by Architectural Alliance of Minneapolis, Minnesota, who provided the Council with the following cost estimates for exterior quality options which now included an attached hangar:

QUALITY LEVEL	TERMINAL BUILDING (Range of 5,885 to 7,290 sq. ft.)	HANGAR (12,000 sq. ft.)
Type A – Gateway	\$434/sq. ft.	-----
Type B - Quality Residential/Commercial	\$300/sq. ft.	-----
Type C - Enhanced Industrial	\$250/sq. ft.	\$150/sq. ft.
Type D - Industrial (Pre-fab.)	-----	\$100/sq. ft.

QUALITY LEVEL	TERMINAL BUILDING (5,885 sq. ft.)	TERMINAL BUILDING (7,290 sq. ft.)	HANGAR (12, 000 sq. ft.)
Type A - Gateway	\$2,554,090	\$3,163,860	
Type B - Quality Residential/Commercial	\$1,765,500	\$2,187,000	
Type C - Enhanced Industrial	\$1,471,250	\$1,822,500	\$1,800,000
Type D - Industrial (Pre-fab.)			\$1,200,000

It is important to note that a review of the meeting minutes does not give any indication of which combination of exterior quality types was selected by the City Council to justify the \$3,200,000 total. However, it is clear there was an expectation that the non-grant funding for the improvements were expected to be shared equally among the City, ISU, and the Private Sector, or approximately \$867,000 each. This new approach followed a determination that the FAA would no longer pay for 90% of the terminal cost. This same funding concept was continued in the FY 2014-2019 CIP.

Based on updated cost estimates, the most recent FY 2015-2020 CIP reflects a project cost of \$2,410,000 for the terminal building alone, with the City contributing \$867,000 in tax-supported G.O. Bonds. While not providing a definitive amount in cash for this project, ISU was expected to guarantee the principal and interest payments on an additional \$943,000 of City-issued, revenue-abated G.O. Bonds in the event that the anticipated revenue from a renegotiated Fixed Based Operator contract does not generate sufficient incremental revenue to cover those abated bonds costs. This guarantee was ultimately secured in an agreement between ISU and the City that was finalized in February 2015. Under this most recent agreement, the Private Sector would raise the funds needed to construct a large new storage hangar to house visiting aircraft, estimated at that time to be worth \$960,000. This hangar would then be donated to the City for continued use at the Airport. Since the funding and construction is being handled privately, the hangar component was removed from the CIP.

CURRENT BUILDING CONCEPT & COST ESTIMATES:

Damion Pregitzer and Bob Kindred have been working with a focus group of users to help develop the building concept for the new terminal. Members of this group include Miles Lackey (ISU Associate Vice President), Brian Aukes (Ames Hangar Owner - Land Lease), Doug Moore (Eursource), Adam Haggard (Pilot), Justin Dodge (Hunziker), Jim Kurtenbach (ISU Professor and Pilot), Dirk Scholten (Ames Glider Club President), Dave Hurst (ISU Pilot), Joel Stewart (ISU Pilot), and Brent Haverkamp (Developer and Pilot). Staff also sought input and received comments from four FBOs serving other general aviation airports in Iowa (Jet Air, Inc. serving Iowa City, classic Aviation serving Pella, Walter Aviation serving Independence, and Hap's Air Service serving Ames). Based on the input from these users and FBOs, a building concept for 6,985 square feet was developed. (See Attachment I)

The City recently received bids for the first step in this project, which is the site work for the terminal and hangar. **Unfortunately, based on the bids received for this site work, there is a need for an additional \$202,000 over the budgeted amount. In addition, staff recently received our architect's updated cost estimate for the terminal building. That estimate is \$547,500 over the budgeted amount if it is assumed that the least expensive option of a flat roof design is accepted, along with a**

projected 10% contingency. It should be remembered that this amount could be adjusted upwards or downwards when the bids for the terminal are received. **Costs for the Airport Improvements Project reflected in the CIP now appear to be \$749,500 over our expected budget.** (See Attachment II)

The original concept called for the old terminal building to be demolished and for the transformer in the basement that controls the lights for the runways, taxi ways, and beacon to be relocated. Because of the higher than expected costs of the new terminal and site work, this element of the improvement project cannot be accomplished in the near future. Therefore, under the new concept the old terminal will remain in place for some time to continue to house the airport transformer. The old terminal will thus be available for use by the Fixed Based Operator.

OPTIONS:

The bid for the site work contract is good until August 16, 2015. Before approving that bid, it would be advisable for the City Council to identify a strategy for dealing with the projected budget deficit. Possible options are listed below for the Council's consideration.

Option 1 – The City Funds the Additional \$749,500

The City Council could decide to provide 100% of the needed additional funding to accomplish this project. This approach would require increasing the amount of tax-supported bonds for this project from \$867,000 to \$1,616,500, or else utilizing available reserves to partially, or totally, fund the shortfall.

Staff Comments:

This option would not be in keeping with the original concept of sharing the costs for these improvements among the City, ISU, and the Private Sector.

Option 2 – The City, ISU, and the Private Sector Equally Share Funding of the Additional \$749,500

Under this option, each party would need to contribute an additional \$249,834 towards the project.

Staff Comments:

The Private Sector has committed to accomplish the construction of the hangar. Originally, they committed to obtain cash donations of \$500,000, as well as in-

kind contributions, for this portion of the project that was originally estimated to cost \$1,000,000. Because of a desire to build a hangar large enough to accommodate some of the largest business jets, the estimated value of their responsibility has now increased by \$495,000. Therefore, their goal is now to raise \$850,000 in cash contributions along with a significant amount of in-kind donations. While they have been very successful to date with their fundraising efforts, it is not likely they would be successful in raising the additional \$249,834 that would be required under this option.

Option 3 – ISU Funds the Additional \$749,500

Under this option, ISU would contribute the additional \$749,500 to cover the projected shortfall.

Staff Comments:

Here again, this option would not be in keeping with the original funding concept which envisioned a three party partnership in the financing of these improvements.

Option 4 – The City and ISU Share in the Funding of the Additional \$749,500, with Possible Reductions in the Size of the Terminal Building

There are numerous ways to accomplish this option. In order to minimize the amount of additional City-issued bonds for this project, one possible funding arrangement would be 1) for the City to contribute an additional \$250,000 from the available balance in the Local Option Tax Fund, 2) for ISU to contribute an additional \$250,000 from their discretionary funds, and 3) for the size of the terminal building to be reduced sufficiently to reduce the cost by an additional \$250,000.

Staff Comments:

If the City Council is willing to increase its investment in this project, this option seems like the most achievable of the various options available for covering this funding shortfall. ISU and the City already agreed upon an arrangement whereby the University has guaranteed that the City's abated G.O. debt will be paid off. The option outlined above would expand that agreement to include the specified cash contributions from each entity to cover two thirds of the anticipated shortfall. Assuming neither party is able to fund the remaining amount, the size of the terminal building could then be reduced to hopefully cover the remaining deficit.

If this option was taken, it would make the greatest sense to remove the flight training room from the terminal design. Although that space is very important to the success of our FBO, it would be possible in the short term to use space in the old terminal building for training purposes. Given the condition of the old building, however, it would not be many years before additional floor space would need to be added onto the new terminal building, or else the old terminal would need substantial rehabilitation.

Option 5 - Reduce The Square Footage Of The Proposed Terminal Building

The City Council could ask the staff and focus group to identify a reduction in the square footage of the proposed terminal building that would result in some, or all, of the savings needed to move ahead with the building project within the existing budget.

Staff Comments:

Based on feedback received from the Airport users and a number of Fixed Base Operators whose input was solicited, the existing building plan for the proposed terminal reflects the needed amount and quality of space to assure a viable FBO operation. Making significant reductions to the planned space could easily undermine the economic balance that is needed in order for an FBO to operate the scale of operation required to cash-flow the airport's operations and abated debt service. While this assignment could result in minor reductions in space, it is unlikely that that effort would yield \$750,000 in savings to bring the project back in line with the existing budget. In addition, because major City facility improvements happen very rarely, it is important to try to size the project for the next 20 years when an improvement is first made. It most likely will cost the City much more to add space at a later date.

Option 6 – Approve the Site Work Project and Delay Action on the Terminal Building

Since the bids for the site work that will accommodate the hangar and terminal are good until August 16, 2015, the Council could approve this contract at its July 28 meeting so that the hangar project can proceed. There are sufficient funds in the overall project budget to handle the added expense on the site work project. Under this option, the terminal project would be delayed until a final strategy is identified to fund that component of the Airport Improvements project.

Staff Comments:

The leaders of the private fundraising effort, Dean Hunziker and Dan Culhane, have been working diligently to accomplish their goal to finance the new hangar. They are concerned with the possible impact a delay in starting the hangar might have on their present and future financial commitments. For that reason, they would prefer this option if the terminal issue cannot be resolved in a timely fashion. They feel that rejecting the site improvement bids at this time could jeopardize their donors' commitments to pay for the new storage hangar. They are also concerned that their donors' commitments may erode if Council is not firmly committed to constructing a new terminal.

The City Council should understand that federal funds are earmarked for this phase of the project. If a decision is made to proceed with the site work contract, there will be a requirement from the FAA that the terminal be built in the near future. If the City proceeds with the site improvements while exploring other options for constructing the terminal, it would be preferable for the Council to specify a date within the next two years within which a terminal will be constructed. That would reassure the FAA that the City will fulfill its commitment to use the FAA-funded site improvements to service a new terminal.

Due to the uncertainty of committing to the FAA to some future construction date for the terminal, it would seem advisable to develop a funding strategy for the terminal project before the site work contract is approved.

Option 7 – Refer This Issue Back to the Staff for Further Information

Before agreeing to increase the financial commitment for these Airport Improvements, the City Council may desire seek additional information. This information could include a more in-depth survey of FBO's to determine the most important amenities that need to be present in a terminal to assure the long-term financial viability of their businesses. If this option is pursued, the site work bids will have to be rejected if this analysis cannot be concluded by August 16, 2015.

Staff Comments:

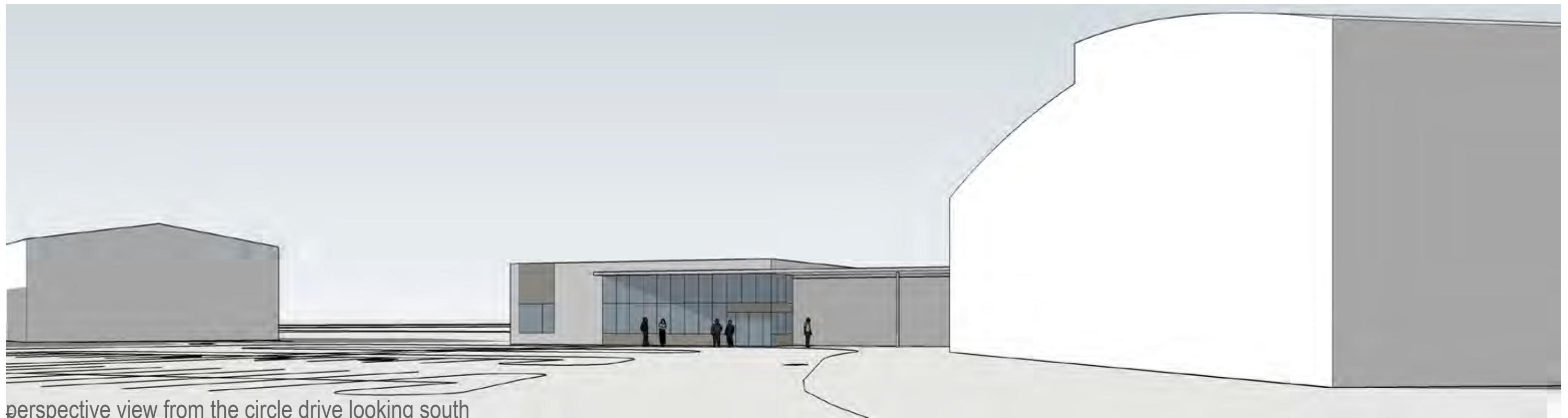
The current need for additional funding seems to stem largely from increases in construction costs as Central Iowa fully emerges from recession. Delaying award of bids is unlikely to provide cost savings in the future. Unless the project is

scaled back significantly, a delay will not generate sufficient savings to fit within the current funding.





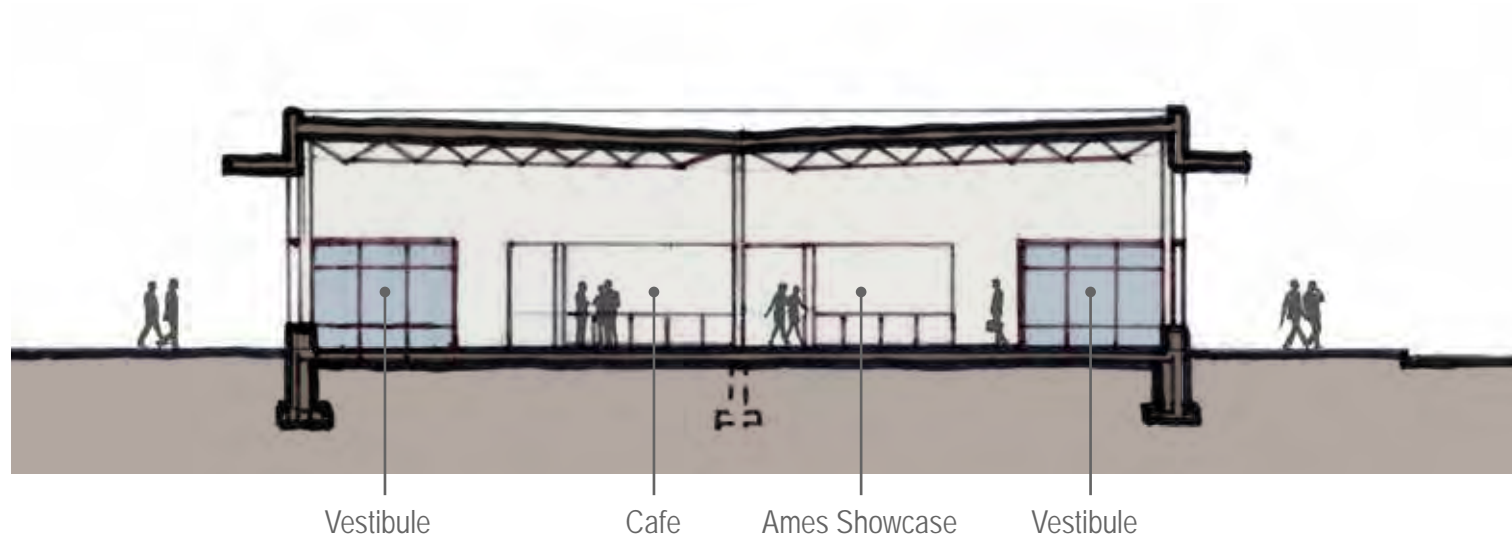
perspective view from the parking lot looking south



perspective view from the circle drive looking south

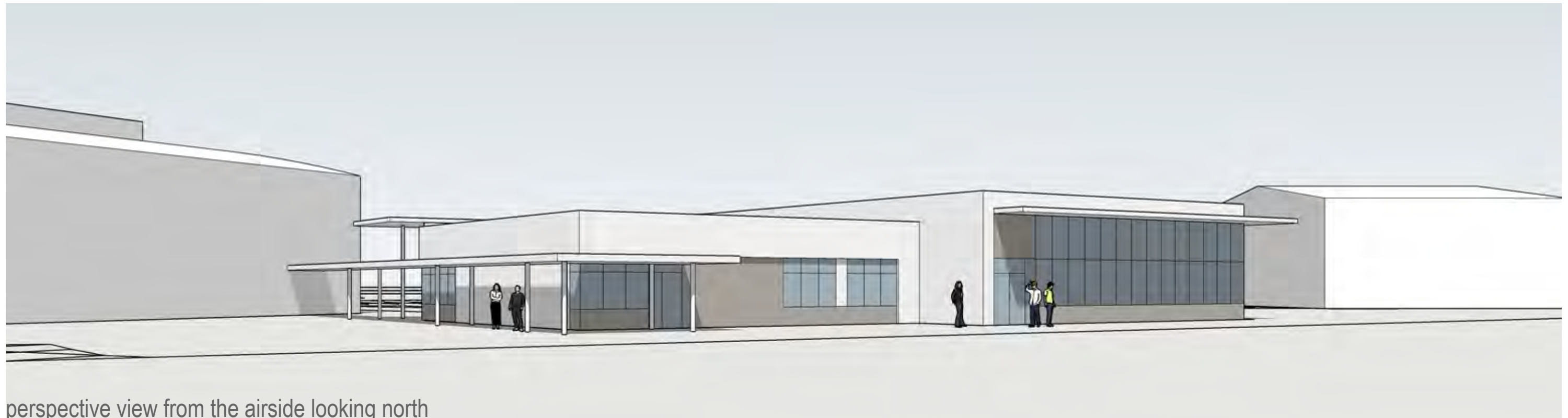
Terminal Building Massing Diagrams
Conventional Flat Roof

Schematic Design
Ames Municipal Airport New Executive Terminal



Section view through the lobby looking west

0' 4' 8' 16'



perspective view from the airside looking north



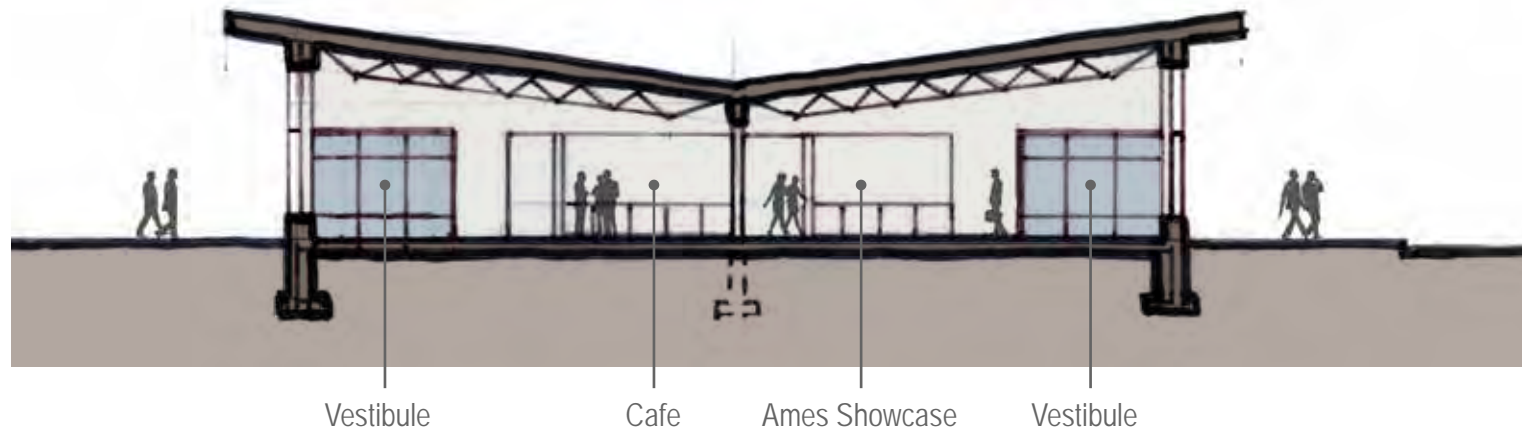
perspective view from the parking lot looking south



perspective view from the circle drive looking south

Terminal Building Massing Diagrams
Butterfly Roof

Schematic Design
Ames Municipal Airport New Executive Terminal



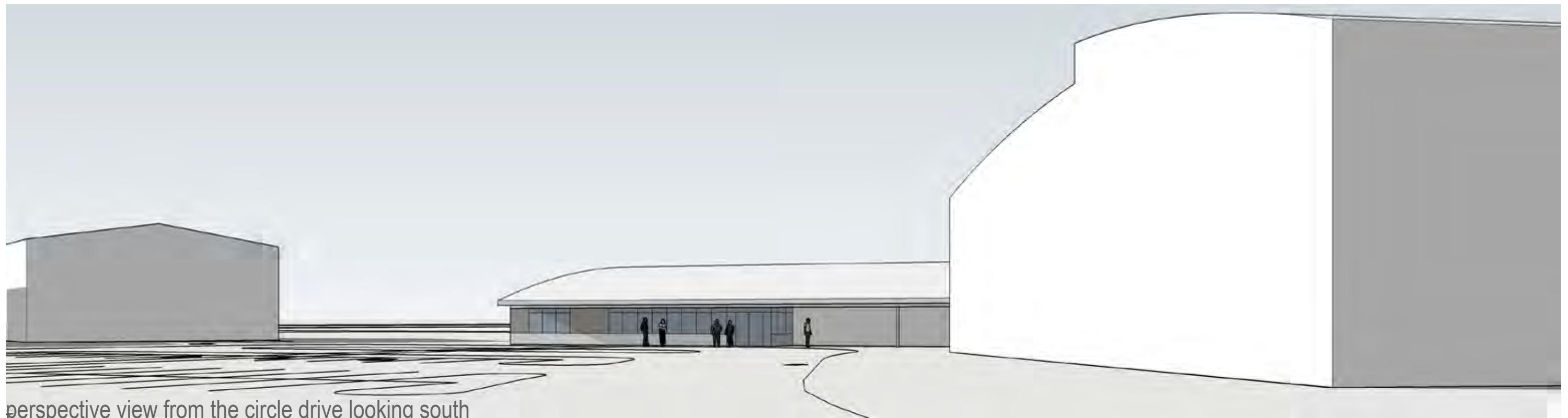
Section view through the lobby looking west



perspective view from the airside looking north



perspective view from the parking lot looking south



perspective view from the circle drive looking south

Terminal Building Massing Diagrams
Curved Roof

Schematic Design
Ames Municipal Airport New Executive Terminal



Section view through the lobby looking west

0' 4' 8' 16'



perspective view from the airside looking north

Attachment II

**AIRPORT IMPROVEMENT PROJECT
(HANGAR AND TERMINAL)**

	Estimated Cost (2014-2019 CIP)	Estimated Cost (2015-2020 CIP)	Latest Estimate (June 2015)	Difference (Latest Estimates - 2015- 2020 CIP Estimates)
COSTS:				
Site Preparation:				
Design	Included in Total	\$140,000	\$140,000	
Construction	Included in Total	\$570,000	\$772,000	
Total		\$710,000	\$912,000	\$202,000
Terminal Building:	6,500 square feet	6,500 square feet	6,985 square feet	
Design	Included in Total	\$260,000	\$260,000	
Construction	Included in Total	\$1,440,000	\$1,987,500	
Total		\$1,700,000	\$2,247,500	\$547,500
TOTAL FOR TERMINAL & SITE		\$2,410,000	\$3,159,500	\$749,500
Hangar:	12,000 square feet	12,000 square feet	14,950 square feet	
Design	Included in Total	Included in Total	Included in Total	
Construction	Included in Total	Included in Total	Included in Total	
Total		\$1,000,000	\$1,495,000	\$495,000
TOTAL ESTIMATED COST FOR HANGAR & TERMINAL	\$3,200,000*	\$3,410,000	\$4,654,500	\$1,244,500

*Based on a 2012 consultant study for a "Quality Residential/Commercial" type terminal with an estimated construction cost of \$300/sq.ft. and a "Industrial (pre-fab)" type hangar with an estimated construction cost of \$100/sq.ft.