



City of Kalispell

Post Office Box 1007 - Kalispell, Montana 59911
Telephone: (406) 758-7700 Fax: (406) 758-7708

MEMORANDUM

To: Mayor Johnson and City Council
From: Doug Russell, City Manager *DR*
Re: Management of Kalispell City Airport with User Group
Meeting Date: December 4, 2012

BACKGROUND: During the approval of the South Kalispell Urban Renewal Plan Update, the Council was approached by users of the Kalispell City Airport regarding consideration of turning the responsibility of managing and maintaining the facility to a user's association. Council agreed to consider this option and provided guidance to staff related to working with the user group on a possible framework for how this could work.

City staff and representatives of the airport have worked on a lease agreement that would remove the financial liability from the city associated with either closing the facility and paying out remaining leases, or the financial liability in maintaining the facility and making necessary capital improvements by contracting for management and maintenance responsibilities to an independent association.

Highlights of the Draft Lease Agreement are as follows:

- 1- The airport would continue under the current operational guidelines
- 2- Existing longer leases with the City would be cancelled, with the User Group Association developing new leases with longer terms
- 3- The current assets in the Airport Enterprise Fund would be provided to the User Group
- 4- The User Group would make improvements to the facility as outlined in the Master Plan (as part of the lease agreement) using a combination of User Group funding and Tax Increment Financing for new infrastructure. These improvements would include:
 - a. repairs to the runway (including widening and curbing by about 4 feet for safety purposes)
 - b. Make available space for additional hangars, T-hangers, and business incubator at the airport grounds for potential future revenue
 - c. Improvements to airplane parking, preparation areas, and traffic flow
- 5- 30 year term, (20 years initial term with extension based on performance criteria) with an option for an additional 10 year extension

Council has held three work sessions in the review and drafting of this agreement, including last Monday, November 27.

Should the City Council elect to approve the proposed agreement, the User Group will need to complete their organizational documents and prepare new ground leases for longer terms, etc., that conform to the provisions in the proposed lease agreement. As such, it is recommended that after Council adoption of the proposed lease agreement, the User Group has 120 days to effectuate the lease agreement, otherwise the Council action would be void.