

THE BOND BUYER

Negotiations, concessions clear path for Kansas City airport P3

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CHICAGO –The Kansas City, Mo., City Council cleared the path for the city to take the next steps in a public-private partnership with Edgemoor Infrastructure & Real Estate LLC on a \$1 billion terminal overhaul at Kansas City International Airport.

Nearly two months after rejecting a vote on a proposed memorandum of understanding, the council late last week approved a revised MOU that will lay the framework for future agreements on the project's design, financing, and construction . The vote was 8 to 5.

The council in December rejected the MOU after raising concerns over the negotiating process, the community benefits provisions on minority participation, and the city's fiscal obligations should the deal fall through.

While competing bidders believed that opened the door for a second chance, the council agreed to continue negotiations with Edgemoor, which had been endorsed by a special committee over three other teams.

In the new vote, critics said they still had concerns including the performance of a member of Edgemoor's team on another project that has seen cost overruns, and some remained supportive of other bidders.

Backers of the Edgemoor bid said the latest negotiations had sufficiently resolved their worries. Community fiscal obligations were raised to nearly \$28 million from \$10 million and city costs should the deal fall through were lowered to a cap of \$23 million from \$30 million.

"This wasn't always a pretty process, but at the end of the day, when city officials trust the democratic process and act to serve Kansas Citians, we move forward as a community. Now, it's time to get to work on the next steps," Mayor Sly James said in a statement.

The city must establish a development agreement, a maximum price, and conduct an environmental assessment to meet Federal Aviation Authority rules. The FAA must approve the project. Officials hope to strike final agreements in September.

Edgemoor's preliminary design features a two-level curbside drop-off and pickup area. Requirements of project agreements provide for private financing for a 750,000 square foot terminal, a 6,500-spot parking garage, 35 gates with room to expand to 42, use of a local workforce, prevailing wages for construction workers, and assurances that minority and women-owned business goals are met.

Financing for the new terminal will be paid back from airport revenues and the city will continue to own and operate the airport.

Edgemoor was chosen to lead the \$1 billion project in September, beating out three rivals including AECOM and the hometown firm of Burns & McDonnell, which first proposed the city consider the design, finance, and build P3 model. One factor in Edgemoor's favor was its debt-only financing option. It was the only one to offer that option and city officials said it could trim \$90 million off costs.

Voters approved the planned overhaul, which will replace three existing terminals with a single modern one, and the use of a P3 in a November referendum.