

City of Kalispell

Office of City Attorney

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MEMORANDUM

Date: February 21, 2012
To: Jeff Walla, P.E., Stelling Engineers, Inc.
From: Charles A. Harball, Kalispell City Attorney
Subject: Plan for Airport Closure

Issue: *You have asked what plan of action I would recommend to the City Council in the event the decision was made by the Council to close the Kalispell City Airport.*

Statement of Impacts: In the event the City Council did determine to close the Kalispell City Airport three issues would have to be addressed:

1. **City Liability on Existing Leases.** The City is a party to a number of long term leases upon the airport. Investors who have constructed hangars at substantial costs do not own the land upon which the hangars are built. Rather they lease the ground from the City. A voluntary closure of the airport, under the terms of the lease, would be considered as a breach of the lease on the part of the City and damages would be rightfully claimed by the lessees. It is difficult to determine the range of total damages the City would be required to pay without retaining an economist to do the analysis but these costs would be significant.
2. **Future Use of the Airport Property.** In order to pay the damages to the investors on the airport, the City would likely look to selling the asset on the private market. The local real estate market is not currently favorable to sales and the most valuable property on the Highway 93 frontage is already in private ownership.
3. **Maintaining the Safety and Operability of the Airport Until it is Closed.** The airport will need to be maintained for safe operability until it is closed. No further private investment will be made on the airport after the decision is made to close it. The longer the airport remains open after the decision is

made to close it the less revenue will be produced by it as users make the choice to move their operations elsewhere. User fees, tie down fees and fuel tax will likely diminish significantly. As hangars are removed the real estate tax revenue, currently going into the Airport TIF account will also be reduced. Funds available from the State and Federal Governments will also likely be curtailed.

Short Statement of Plan for Airport Closure. A decision to close the airport should not call for immediate closure and should not call for closure any more than five years in the future. Upon setting a date for closure, the City should consider issuing a Request for Proposals for master developers to plan and market the property. In the meantime, settlement negotiations should be held with the current lessees on the airport to structure settlements that best align with the plan of marketing and sale of the property. Finally a solid budget plan will need to be in place to service the airport in its current condition until the date of closure.

Strength of Plan: Calling for closure of the airport at a definite future date within five years gives the City and the investors on the airport some time to plan for the closure. It also allows some time for the property to be on the market and for the market to improve. Master planning, marketing and sale of the property could raise the revenue to pay the damages to the investors. The tax increment district could be an important marketing feature of the property. Private ownership and development of the airport property would improve the tax base.

Weakness of Plan: The plan relies primarily on the real estate market's cooperation. Old School Station, subject to a City SID, remains adrift in this weak market and it would likely be competing with any airport property development that involves industrial or commercial investment. Development of the property as residential property faces the competition of a glut of vacant lots and houses currently on the market and that are not immediate neighbors to the wastewater treatment plant. A failure to sell the airport property will require the City to scramble to find funds to pay the damages to investors. It is doubtful whether TIF funds could be used for this purpose.