

September 6, 2017

MEMORANDUM

To: Mayor Sly James and City Council Members
From: Selection Committee – KCI Terminal Modernization Program Solicitation
Subject: **KCI TERMINAL MODERNIZATION PROGRAM – PROPOSER RECOMMENDATION**

After a thorough evaluation of proposals for the KCI Terminal Modernization Program (the “Project”) solicitation, the Selection Committee recommends that Edgemoor Infrastructure and Real Estate (“Edgemoor”) be selected for direct negotiations of a Memorandum of Understanding (“MOU”). The MOU is a precursor to the final Development Agreement that will guide implementation of the Project.

Summary:

The Project Request for Qualifications/Proposals (“RFQ/P”) issued by the City sought competitive proposals to plan, design, engineer, construct and finance the Project. Proposers were asked to set forth proposals that would best achieve the planning, engineering, construction and financing of a new single terminal design, consistent with the detailed scope provided in the RFQ/P and its addenda and with the City’s finance parameters. Four proposer teams submitted their qualifications:

1. “KCI Partnership”, comprising leads of AECOM/Oaktree/Turner/Fentress;
2. “KCI Hometown Team”, comprising leads of Burns & McDonnell/Americo/JE Dunn;
3. Jones Lang LaSalle (“JLL”) with ASL Ireland/Gensler; and
4. Edgemoor Infrastructure and Real Estate (“Edgemoor”) with Meridiam/Clark/SOM.

Of the proposals received from each of these teams, using the criteria established to evaluate each proposer’s qualifications and proposed terms, Edgemoor’s proposal was determined by a majority of the Selection Committee members to best meet the City’s needs and requirements for development of the Project, while complying with the City’s finance parameters.

Procurement Process and Analysis:

This memorandum sets forth the composition of the committees that have contributed to the analysis contained herein; key milestones of the procurement process; information regarding the responses received

Selection Committee and Advisors

Pursuant to City ordinance, the following were designated to serve as the members of the Selection Committee who were charged with reviewing proposer qualifications, obtaining input from financial and other independent advisors, and ultimately developing this memorandum’s recommendation.

Selection Committee Members	
Councilwoman Jolie Justus	Pat Klein, Aviation Director
Councilman Jermaine Reed	John Green, Aviation Chief Financial Officer

Troy Schulte, City Manager

Phil Muncy, Aviation Deputy Director

The Selection Committee was advised by the following subject matter expert advisors and the financial advisors, who analyzed each proposer’s proposed financial structure and related issues to provide in-depth quantitative and qualitative input regarding Project finance:

Financial Advisors	
Randy Landes, Director, Finance Department	LeighFisher
Tammy Queen, Deputy Director, Finance Department	Kutak Rock, City bond counsel
AvAirPros, Airlines’ consultant Ameritas	FirstSouthwest (Hilltop Securities)

Finally, the Selection Committee and City have received legal and technical counsel throughout the procurement process by City staff, including Cedric Rowan, Cecilia Abbott, Galen Beaufort, David Long, Darrell Everette and others, as well as by law firms Husch Blackwell and WilmerHale, and by the Center for Infrastructure Investment.

Key Milestones

Following is a summary of the key milestones for the Project proposer selection process (all dates 2017):

RFQ/P Issued	May 30.
RFQ/P Addenda Issued	June 5, 13, 19, 26, 29; July 7, 11, 19, 21; Aug. 15
Technical Qualifications Proposals Due	July 27
Financial Proposals Due	August 10
Proposer Interviews	August 14
Finance Response Clarifications Due	August 17
Financial Advisor Input	August 11, 14, 18, 21, 25
City Bond Counsel Input	August 25, 29
Independent Advisor Input	August 14, 29
Selection Committee Deliberations	August 14, 15, 18, 22 23, 29, 31; Sept. 5, 6
Selection Committee Recommendation	September 6

Evaluation Criteria

As noted above, four teams submitted both technical and financial proposals in response to the City’s RFQ/P for the project: KCI Partnership, JLL, the KCI Hometown Team, and Edgemoor. Each proposal was evaluated independently against the three criteria set out in the RFQ/P and subfactors within each criteria established by the Selection Committee, as follows:

Criteria Categories

1.0 Relevant Experience	
1.1 <u>Design Experience</u> Terminal Design	<ul style="list-style-type: none"> • Experience in all aspects of terminal design and construction? • Customer experience?

<p>Terminal Innovation Parking Garage Design Roadway Design Airfield Design Design Management</p>	<ul style="list-style-type: none"> • <i>Is their experience up to date and relevant?</i> • <i>Experience with TSA and FAA design standards and regulations?</i> • <i># of garages of similar size and use?</i> • <i>Relevant airfield construction experience?</i> • <i>How will the division of work be handled?</i> • <i>References?</i>
<p>1.2 <u>Construction Experience</u> Demonstrated comparable terminal construction experience Demonstrated experience and knowledge of TSA and FAA recommendations Terminal construction phasing and construction management Construction cost management</p>	<ul style="list-style-type: none"> • <i>Is their experience up to date and relevant?</i> • <i>References?</i>
<p>1.3 <u>Project Team</u> Project team structure and team members' roles on the project Key firm experience relative to their role on this project Relevant Experience of each key team member</p>	<ul style="list-style-type: none"> • <i>Is the team structured for success or cost overrun?</i> • <i>MWBE management and inclusion?</i>
<p>1.4 <u>Local Community Experience</u> Experience in the Kansas City market</p>	<ul style="list-style-type: none"> • <i>Will their experience "translate" to the Kansas City Community?</i> • <i>Ability to navigate local governmental entities and other factors influencing Project delivery?</i> • <i>Local subcontractor relationships - references?</i> • <i>Do they have the ability to enhance the sustainability of the MWBE community?</i> • <i>What is the plan for inclusion and development?</i>
<p>2.0 Proposed Approach</p>	
<p>2.1 <u>Project Approach</u> What sets this team's approach apart? Approach to existing facilities Community Benefit Agreement MWBE utilization per City Program Willingness to collaborate with the City and the Airlines</p>	<ul style="list-style-type: none"> • <i>Have they clearly identified the KC community needs and addressed what they love most about the existing terminal?</i> • <i>Have they clearly identified the Airlines priorities at KCI to be competitive?</i> • <i>Facility reutilization?</i> • <i>What programs or other offerings do they propose to benefit the community both short-term and long-term?</i>

<p>2.2 <u>Design Quality Management</u> Airport Functionality & Innovation LEED and Sustainability 1% for the Art Program</p>	<ul style="list-style-type: none"> • <i>Approach to sustainable MWBE development?</i> • <i>What significant technologies will be implemented or evaluated for use?</i> • <i>Demonstrated understanding the principles of sustainability and efficiency?</i> • <i>Identifies knowledge of the alternate routes to LEED/sustainability documentation for terminal facilities?</i> • <i>Does LEED/sustainability documentation demonstrate innovation rather than checking the boxes for credits?</i> • <i>Does the proposal account for the City Ordinance on Art?</i> • <i>How is the art procurement, development and installation included in the cost?</i>
<p>2.3 <u>Construction Quality Management</u> Competitive Construction solicitation Cost Management Quality Assurance</p>	<ul style="list-style-type: none"> • <i>What demonstrated processes will be in place to manage change and cost?</i> • <i>How are they structured to adequately manage quality and to what standards?</i>
<p>3:0 Financial Approach</p>	
<p>3.1 <u>Terms</u> Approach to financing the Project, including the anticipated or optimal mix of debt and equity Description of understanding of the revenue streams available to support debt repayment under the Master Bond Ordinance Anticipated duration of the financing and whether it would be pre-payable by City Letters of support or commitment letters, from proposed lenders, equity providers, and monoline insurers (if applicable), including whether such provision of debt capital is subject to due diligence or other customary terms and conditions which will need to be satisfied prior to receipt of funds, with description of such terms and conditions Anticipated public funding required in order to finance the Project Assumptions regarding contemplated financial contributions from the Airlines for the Project Clarification of any aspects of the response</p>	<ul style="list-style-type: none"> • <i>Will debt be provided by conventional or direct lender or via public market?</i> • <i>Is debt planned to be at tax-exempt or taxable interest rates?</i> • <i>What is assumed or projected interest rate(s) for all tranches of debt, and weighted average?</i> • <i>Assumed spread to "A1 /A+" tax-exempt airport revenue debt</i> • <i>What is amount of assumed capitalized interest?</i> • <i>Will the initial financing be the ultimate long-term financing, or will there be take-out financing after construction?</i> • <i>Any contemplated legislation that would potentially be requested or required to enable such financing and for project completion?</i>

<p>that would be impacted, and in what respect, if airport revenue bond model (issuance by City or conduit) is applied</p> <p>Summary financial information for all members, lenders, and guarantors for the last three fiscal years</p> <p>Any conditions, obligations, covenants or restrictions that would be required in order to implement proposed financial plan for the Project</p> <p>Knowledge of, and experience in, complying with passenger facility charge (PFC) assurances, and ability to provide documentation to the City for the formulation and closeout of the associated PFC application</p> <p>Based on the assumed cost of construction for the Project in 2015 dollars, the projected annual lease or other payments from the Airport to provide the Proposer's annual debt service and required rate of return (not to exceed \$85.2 million, based on stated repayment period of 30 years after Project completion)</p>	
<p>4.0 Other Criteria</p>	
<p>Complies with City's Master Bond Ordinance</p> <p>Confirmation of cost estimate parameters</p> <p>Substantial completion date for new terminal</p> <p>Confirmation of Design and Construction intent and timeline</p> <p>Confirmation of financial close timeline</p>	

Proposer Interviews and Follow-Up

Following submission of the technical and financial proposals, the Selection Committee held formal presentations/interviews with each proposer team on August 14th. Each team had 60 minutes to make a formal presentation, followed by approximately 30 minutes for a question-and-answer session. Joining the Selection Committee at the interviews, to provide the committee with additional input and reflection, were the above-mentioned staff and advisors, representatives from various airlines, as well as Councilman Lee Barnes and Councilwoman Alissia Canady.

In subsequent written follow-up to the interviews on August 15th, each team was asked to clarify its financial proposal and to provide such clarification by August 17th to permit the financial advisors to complete their analysis of each proposal in accordance with the evaluation criteria set forth above.

Analysis and Recommendation

During the course of the Selection Committee's deliberations, the committee reviewed nearly 2,000 pages of documents, including the submitted proposals and extensive analysis, committing over 100 hours to thoroughly assessing each proposer's approach and qualifications. In addition, the financial and independent advisors provided extensive analysis and observations to the Selection Committee at multiple junctures throughout the review process, supported by legal analysis provided by the Selection Committee's counsel.

After thorough review of the proposals submitted and analyses conducted for each, the Selection Committee determined, as supported by and in conjunction with its advisors, that the JLL proposal is non-responsive and deficient in providing required information in several key areas. The Selection Committee also determined, based on its review of the advisors' analyses, that the financial approach put forward by the KCI Hometown Team in its August 10, 2017, Financial Proposal is not consistent with the City's Master Bond Ordinance requirements, and, irrespective of the foregoing, does not meet the City's finance parameters for the Project. As such, the Selection Committee did not advance these two proposers in the selection process.

The Selection Committee determined that both the KCI Partnership and Edgemoor proposals present financial approaches that meet the City's requirements and that reflect experienced teams capable of competently undertaking the Project, with significant infrastructure expertise. Notwithstanding the above, of these proposers, the Selection Committee deemed Edgemoor to have presented the proposal that best reflects an understanding of the City's needs; that offers the most flexible and potentially lowest cost financial approach that meets the City's finance parameters; that puts forward a highly qualified Project team best able to collaborate with the City and the airlines, whose financing is critical to the Project; that establishes a thorough timeline for ensuring timely Project completion; that offers the greatest flexibility in teaming with the City; and that represents the overall best value and best team with whom the City could confidently move forward in the development of the Project. In addition, the Edgemoor team provided a compelling approach to promoting the effective inclusion of small, women, and minority-owned businesses through mentorship and trade skill development, as well as an innovative and detailed approach to exceeding the City's sustainability goals.

Specific highlighted attributes of the Edgemoor proposal noted by the Selection Committee include the following:

- **Project Team's Relevant Experience**

- \$63 billion of aviation work, \$50+ billion design build projects, including Boston Logan, Houston, Seattle and JFK
- Financial close on over \$10 billion in public-private partnership projects
- Experience working directly with major airlines that include:
 - Southwest Airlines
 - United Airlines
 - American Airlines
 - Delta Air Lines
- **Project Team.** Highly experienced project team has closed on billions in public-private partnership transactions and has decades-long experience in infrastructure design and construction, including billions in aviation projects.
 - Local team members Weitz and Clarkson are local companies.

- Architect SOM has designed aviation facilities worth over \$24 billion
- Clark has constructed over \$60 billion worth of aviation work
- Committed to hiring local project team members
- **Local experience.** Significant local project experience includes:
 - KCI Intermodal, Lot E
 - Charles B. Wheeler Airport Taxiway Rehabilitation
 - Red Bridge Road improvements
 - John Deere
 - Kansas State innovation campus
 - Bartle Hall ballroom expansion
 - Kit Bond Bridge
 - Manchester Bridge Reconstruction
 - BMA tower
 - Corporate Plaza Center
 - UMKC- multiple projects
 - KU Central District Development Project
- **Project Approach.** Edgemoor offers a well-thought out plan for constructing the Project, with a solid understanding of community needs, as well as a strong commitment to sustainability and to exceeding City goals for inclusion of minority and women-owned businesses (MBE/WBE), and to providing lasting benefits to the broader community, including:
 - A detailed approach and timeline outlining each major step of the Project, including a comprehensive identification of potential Project-related risks with mitigation and control plans for major risks
 - Substantial completion date of 11/1/2021
 - A collaborative approach to developing a Project design that reflects both the City's and stakeholders' needs and objectives, which includes communication with the public and City Council
 - Willingness to offer innovative solutions and alternatives for the City's consideration
 - LEED gold commitment, with the ultimate goal of building a net zero or net positive airport
 - Committed to achieving goals for construction services of 20% MBE and 15% WBE and MBE 17% and WBE 12% for professional services, in excess of City goals, with flowdown provisions to subcontracts to help achieve the higher goals
 - Contract award preference given to local, Kansas City-based firms
 - Community Benefit Agreement to be developed jointly with the City, with a commitment to provide dedicated public transportation to the Project site and on- or near-site childcare
 - Initiatives to benefit small, women and minority-owned businesses include Clark's strategic partnership program with Dartmouth's Tuck School of Business, a "CityBuild Academy" training program and a mentor-protégé program
 - Positive relationships with local organized labor, enabling the Edgemoor team to leverage and widen accessibility to existing apprenticeship programs.

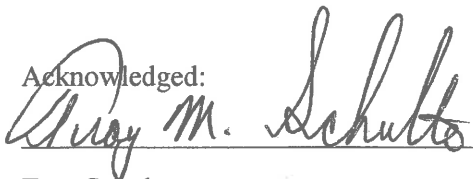
• **Financial Approach**

- Flexible approach to collaborate with City on preferred financing alternatives, including debt-only financing
- All funding sources identified by 12/31/17, with financial close by June 1, 2018
- Complies with Master Bond Ordinance and any debt created would be consistent with the Master Bond Ordinance.

After review of the written proposals, interviews, and input received from all independent advisors Edgemoor is formally recommended to the Mayor and City Council for direct negotiations for the development, design, engineering, construction and financing of the KCI Terminal Modernization Program, based on their extensive experience on relevant projects, their proposed collaborative approach to working with the City's team, and their commitment to benefitting the community.

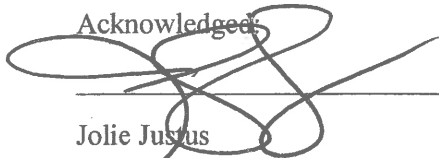
Respectfully,

Acknowledged:



Troy Schulte
City Manager

Acknowledged:



Jolie Justus
Councilwoman

Acknowledged:



Jermaine Reed
Councilman

Acknowledged:

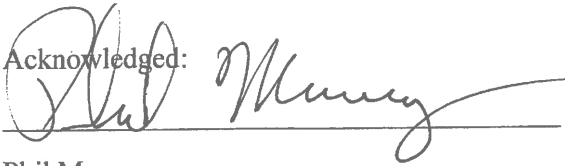


Pat Klein
Director of Aviation Department

Acknowledged:



John Green
Deputy Director of Aviation Department

Acknowledged: A handwritten signature in cursive script, appearing to read 'Phil Muncy', is written over a horizontal line. The signature is fluid and extends to the right of the line.

Phil Muncy
Deputy Director of Aviation Department