

# PARI PASSU: ALIGNING P3 INCENTIVES IN THE GARY CHICAGO INTERNATIONAL AIRPORT DEAL

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FOR AIRPORT COOPERATIVE RESEARCH  
PROGRAM (ACRP)

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FAEGRE BAKER  
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# CONTEXT: CHICAGO & NORTHWEST, INDIANA

Population of  
80,000

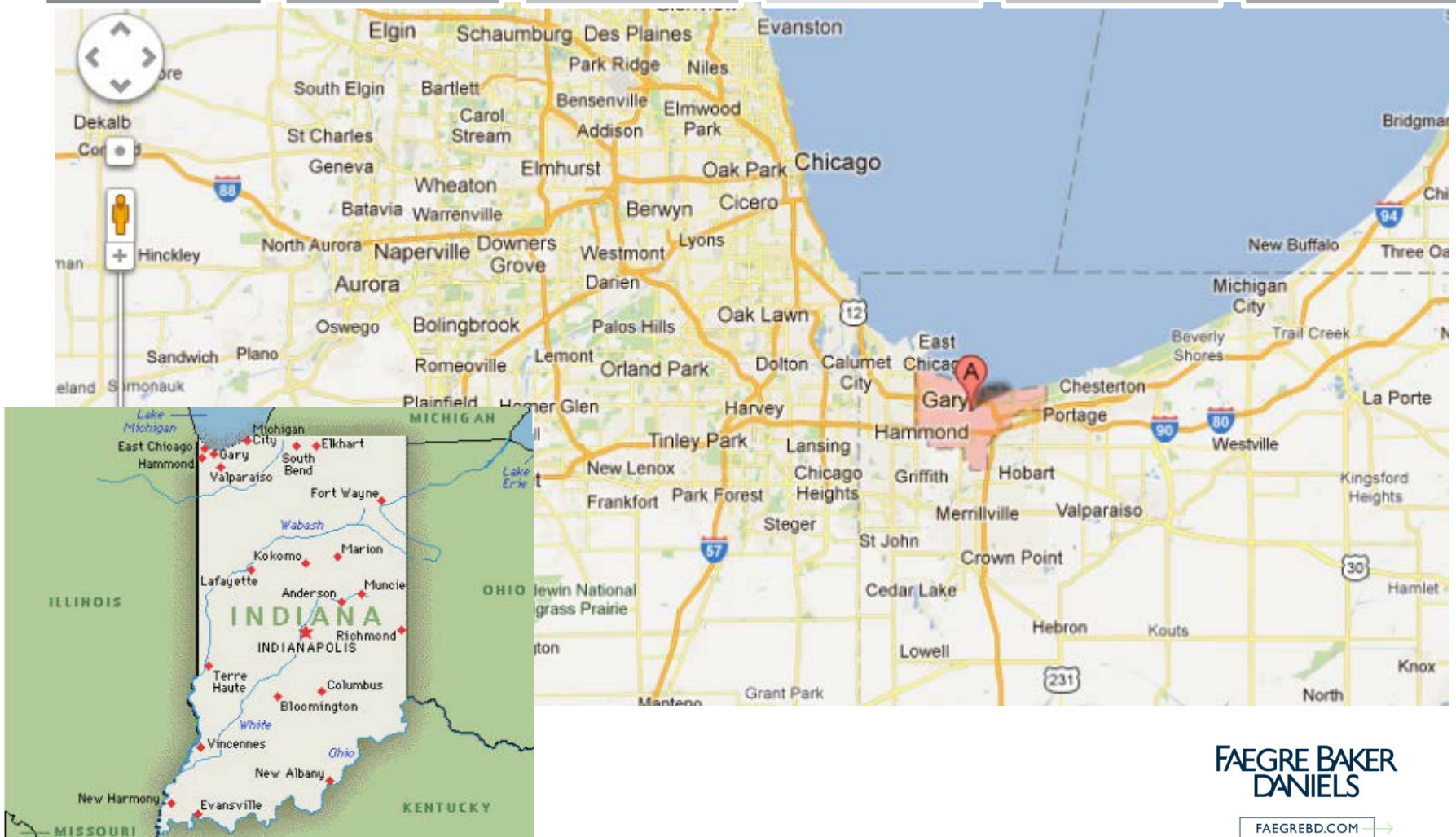
50 square miles

30 miles SE  
from downtown  
Chicago

Transportation  
Hub of Region

Great Lakes  
Access

Large Industrial  
Base



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# GYG PUBLIC PRIVATE PARTNERSHIP CHALLENGES

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Create a structure for the private partner search that enhances overall confidence in our goals while minimizing the cash outlay at risk

Find a private partner that has the ability to execute our industrial development and airport management goals AND that increases overall confidence in our long term plans

Negotiate a final deal that ensure the airport remains a city asset while providing enough upside to encourage strong partners to bid

# STRUCTURE OF THE P3 DEAL

The development agreement provides an investment and action plan to achieve a \$100 million investment over 40 years including an initial investment of \$25 million within 36 months.

## Airport Development

- 80% of incremental profit goes to airport
- 20% of incremental profit goes to AVCO

## Land Development

- 20% of development profit goes to City of Gary
- 80% of the development profit goes to AVCO

# SAFETY VALVE – HOW THE CONTRACTS CAN BE DISSOLVED

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## Airport Management Deal

- Ten (10) year agreement but can break contract with cause or without cause with penalty
- Contract is renewed every five (5) years thereafter by GYY board based on performance

## Land Development Deal

- Five (5) year agreement; can be dissolved if partner fails to meet initial investment requirements
- Contract is renewed every five (5) years thereafter by GYY board based on performance

# PUBLIC PRIVATE PARTNERSHIP: A YEAR IN THE MAKING

- 1 Board Discusses Potential
- 2 Ad Hoc Committee Established
- 3 Review Best Practices
- 4 REIQ Released
- 5 RFP Released
- 6 Tour with Potential Candidates
- 7 Discussions with 2 Finalist Teams
- 8 Exclusive Negotiations
- 9 Agreement

## Chicago International Airport



- ▷ \$100 Million Investment Over 40 Years
- ▷ \$25 Million Investment in 1<sup>st</sup> 36 Months
- ▷ \$2.5 Million New Development Investment
- ▷ \$15,000 in 1<sup>st</sup> 3 Months for Workforce/Community Development
- ▷ \$300,000 in Workforce Development Over 3 Years

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# GOOD PERFORMANCE TO DATE; NO MARRIAGE IS PERFECT



- Revenue and profit up on airport operations
- Completed extension of the main runway – moving three Class 1 rails
- 8x oversubscribed airport bonds – Bond Deal of the Year 2015
- General aviation and charter expansion – 4 new hangars
- Custom facility opened; Active MRO & Cargo conversations
- Nearly \$70MM in new infrastructure improvements
- \$50MM invested capital to date; + \$600MM in improvements