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REGIONAL NEWS

New Orleans Airport Shaking Off Post-Katrina Slump With Refunding

by: JIM WATTS

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DALLAS — An impending refunding of parking garage debt is a sign that revitalization is a reality at Louis Armstrong New Orleans International Airport, as passenger levels increase to near pre-hurricane days at the New Orleans-owned airport, its officials said.

The $40 million of tax-exempt revenue bonds to be issued by the Louisiana Local Government Environmental Facilities and Community Development Authority will refund the outstanding debt from an unrated $49.5 million issue from 2001. The new deal will be rated and insured.

Proceeds from the 2001 issue were used by the Parking Facilities Corp. to build a 2,500-vehicle long-term parking garage at the airport's main terminal.

The corporation was established by the New Orleans Aviation Board, which oversees operations at the airport, to build the garage and its subsequent phases.

The sale is scheduled for Aug. 23. The proposal is to be reviewed by the Louisiana State Bond Commission on Aug. 16.

The airport is wrapping up $356 million of capital improvements that should be ready when New Orleans hosts the 2013 Super Bowl. The National Football League championship game will be held in New Orleans for the 10th time on Feb. 3, 2013, after an 11-year absence from the Superdome.

Capital projects include a new consolidated car rental facility, financed with Gulf Opportunity Zone bond proceeds, and renovations of the main terminal, inside and out.

Airport director Iftikhar Ahmad said the airport upgrades should make a good impression on Super Bowl visitors.

"Louis Armstrong New Orleans International Airport is the official welcome site for our flying visitors, so everything must be ready and function as close to perfect as possible," he said. "There will be no second chance to make a great first impression."

Ahmad said he is certain the airport will pass its Super Bowl test with flying colors.

"The new look of our airport and special welcome will hopefully make a positive impression on our incoming guests and set the tone for what will be a fun time for all in our great city," he said.

A rating on the parking revenue refunding bonds has been sought from Standard & Poor's, but a report has not yet been issued.

Assured Guaranty Municipal Corp. will insure the refunding bonds. Assured is rated AA-minus with a stable outlook by Standard & Poor's, and Aa3 but on review for downgrade by Moody's Investors Service.

Raymond James | Morgan Keegan is senior manager for the issue.

Co-bond counsel is Foley & Judell LLP, Haley Law Firm LLC and McKee Law Firm LLC.

D.J. Mehigan, managing director at Raymond James | Morgan Keegan, said low interest rates being offered in the market made the refunding opportunity too good to pass up.

"The market has been looking for good credits, and this one has a proven track record over several years," Mehigan said. "The demand has been high for the long-term parking, and the garage is at or close to its capacity most of the time."

Average peak daily occupancy at the parking facility is 90%, the airport said, up from 88.6% in 2009. Daily occupancy rates remained relatively high even after the two hurricanes of 2005, despite a significant slump in airline passengers.

The airport experienced large drops in total passengers in 2005 and 2006, but saw 4.1 million passengers in 2010 and 4.3 million in 2011. The number of passengers passing through its terminals through June 2012 totaled 4.5 million.

The garage is expected to generate $10.6 million in revenues in 2012, up from $10 million in 2007. Revenue available for debt service in 2012 is estimated at $6 million, or 180% of the $3.3 million of annual debt service on the refunded bonds. Mehigan said the parking corporation expects to realize net present-value savings well above 3% with the refunding.

“We’re stretching the final maturities a bit and the net cash flow to the airport will increase with the refunding,” he said.

The garage opened in October 2003 as the first stage of a three-phase effort to provide more close-in, long-term parking. Phase two will include 950 additional parking spaces, with another 1,000 in phase three.

Preliminary development and design work on the second phase of the project was completed in May 2011. New South Development LLC, which developed phase one of the parking garage project, was ¬selected to build the second phase as well.

The parking garage paid an annual rent of $127,488 in the first year of operation, with the payment increasing 3% a year. Fixed rent in 2011 totaled $166,344.

In addition to the fixed rent, the garage pays the airport 6% of its gross revenues over $7 million a year. The percentage rent totaled $134,037 in 2011.

The garage is managed by New South Parking Systems, which also manages the airport’s short-term parking.

The parking corporation’s lease at the airport can be extended to the end of 2041. The New Orleans Aviation Board decided to delay construction of the second phase until a feasibility study on a major terminal expansion project is completed in late 2013.

A long-term strategic plan completed in 2007 identified the need to expand the number of terminal gates at Armstrong International. The Aviation Board in 2011 issued five separate requests for proposals for alternative plans that included expansion or relocation of the passenger terminal over the next 20 years.

Alternatives identified by the Aviation Board include retaining the current terminal and adding new gates on the west side, or relocating the entire passenger terminal and support facilities to an area north of the existing runways.

If the main terminal is relocated, the Aviation Board will defease any outstanding debt from the parking garage bonds.

In August 2011, Mayor Mitch Landrieu said he wanted a “robust analysis” of whether to build a new terminal or expand the existing facilities.

“The [airport] serves as a gateway to millions of tourists and business travelers each year and is a critical driver for the creation of jobs and economic development,” Landrieu said. “Improving our airport is integral to our success as a world-class travel destination and hub for commerce.”

The Aviation Board’s general revenue bonds and passenger facility charge bonds are rated A-minus by both Standard & Poor’s and Fitch Ratings.

The customer facility charge revenue bonds issued in 2009 to build the consolidated rental car facility are rated A-minus by Fitch and Standard & Poor’s and Baa2 by Moody’s.

The airport, which sits only four feet above sea level, was closed to commercial traffic on Aug. 28, 2005, the day before Hurricane Katrina hit the city. The airport suffered $55 million in damage from the hurricane, as high winds peeled off several roof sections, but the terminal did not flood.

The airport opened to military and humanitarian flights on Aug. 30, and the terminal was used to house patients evacuated from storm-damaged hospitals and nursing homes and those injured in the storm.

Commercial flights resumed on Sept. 13, 2005.

In 2009, the Federal Aviation Administration approved the Aviation Board’s preliminary application to participate in an airport privation program.

However, the city dropped the plan in October 2010, citing “conditions required to effectively privatize public infrastructure and the current state of capital markets."