



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:
District B, District I
Item Creation Date: 3/19/2020

HAS - Deferral of Payments from Airlines, Concessionaires, and Rental Car Companies

Agenda Item#:

Background:

RECOMMENDATION:

Enact an ordinance approving and authorizing the Mayor or the Mayor's designee to negotiate the terms and conditions and execute agreements between the City of Houston, Texas, and existing airlines, airport concessionaires and rental car companies to defer certain requirements and payments for the period between April and September 2020 pursuant to their City airport contracts until 2021, due to the impacts of the local and national state of disaster resulting from the COVID-19 public health emergency.

SPECIFIC EXPLANATION:

Currently, there are agreements with airlines and concessionaires at City airports as follows:

- 29 airlines operating under an agreement at George Bush Intercontinental Airport/Houston (IAH) and/or William P. Hobby (HOU);
- 20 concession contracts at IAH and/or HOU; and
- 9 rental car companies operating under an agreement at IAH and/or HOU.

Under the airline agreements, airlines are required to pay various fees under airport rates and charges including landing fees and terminal rents and fees. Under the concession and car rental contracts, the companies are required to pay a percentage of gross revenues or a rate per passenger, the majority of which are also subject to a minimum annual guarantee (MAG).

Due to the COVID-19 public health emergency, passenger enplanements have already declined significantly and are predicted to decline by as much as 75% for an unknown period. In an effort to help mitigate this loss, the City proposes to defer all payments from airlines, concessionaires, and rental car companies due from April 2020 through September 2020, without interest, until 2021. Historically, such payments have been approximately \$180 million collectively for this six-month period. All deferred payments would be collected starting in January 2021, spread evenly over the calendar year. If, prior to the end of September 2020, either (i) monthly passenger enplanement levels rebound to 80 percent of the passenger enplanement levels for the same month in 2019, or (ii) a company receives a cash infusion, loan, or other payment from the federal government that materially mitigates its financial losses from the COVID-19 public health emergency, the deferments shall cease. Additionally, for concessionaires and rental car companies, the City proposes to waive MAGs as well as to defer tenant improvement requirements until December 2021, if applicable.

The agreements will require compliance with the Mayor's Executive Order 1-64 ensuring a Living Wage, a requirement that the companies provide paid sick leave for all employees affected by COVID-19, certain federal ADA and non-discrimination requirements, along with other applicable legal terms.

Director's Signature:

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Mario Diaz

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