



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

District I

Item Creation Date: 10/5/2020

HAS - Southwest Airlines Maintenance Hangar Ground Lease at HOU

Agenda Item#:

Background:

RECOMMENDATION:

Enact an Ordinance approving and authorizing a ground lease agreement with Southwest Airlines Co. at William P. Hobby Airport (HOU) in connection with its aircraft maintenance facility development.

SPECIFIC EXPLANATION:

By authority of Ordinance No. 2016-945, passed and adopted on December 7, 2016, the City and Southwest Airlines entered into Memorandum of Agreement No. 4600014143, countersigned on December 19, 2016, (the "MOA"), with respect to the construction and development of Southwest's Maintenance Hangar Development Project ("Project") at HOU. Pursuant to rights conveyed in the MOA, Southwest commenced construction on the Project at 7901 Braniff Avenue, and Southwest received a certificate of occupancy for the Project on July 15, 2020. Southwest has completed the City Project Components Managed by Southwest, subject to final invoicing by Southwest, for which funds were appropriated under the MOA.

The pertinent terms and conditions of the ground lease are listed below:

- 1) Leased Premises: Approximately 1,239,965 sq. ft. (28.47 acres) at 7901 Braniff Road on the south side of HOU.
- 2) Rental: \$396,788.80 per year
- 3) Term: 40 years
- 4) Permitted Use: Operation as an aircraft maintenance facility
- 5) Termination Rights: Southwest shall have the right to terminate for convenience after the 30th anniversary of the Effective Date. The City shall also have the right to terminate this after the 30th anniversary of the Effective Date, by giving 36 months' advance written notice, conditioned upon the approval and appropriation from City Council of the payment to Southwest for the appraised value of Southwest's leasehold interest under this Lease.
- 6) Other: Southwest will provide standard insurance and indemnification as required in the lease, as well as compliance with the Living Wage Executive Order.

Fiscal Note:

Funding for this item is included in the FY2021 Budget. Therefore, no Fiscal Note is required as stated in the Financial Policies.

Director's Signature:

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DocuSigned by:

Mario Diaz

Mario Diaz
Houston Airport System

Estimated Revenue			
DEPARTMENT	FY2021	OUT YEARS	TOTAL
Houston Airport System	\$264,525.87	\$21,623,548.20	\$21,888,074.07

Prior Council Action:

12/7/2016 (O) 2016-945

Amount of Funding:

REVENUE

Contact Information:

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