



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

District B

Item Creation Date: 11/21/2023

HAS – Appropriation for Memorandum of Agreement (MOA) with United Airlines for IAH Terminal B Redevelopment

Agenda Item#:

Background:

RECOMMENDATION:

Enact an ordinance appropriating \$150,000,000.00 from the Airport System Consolidated 2011 Construction Fund (8206) for the Memorandum of Agreement (MOA) between the City of Houston and United Airlines, Inc. at George Bush Intercontinental Airport/Houston (IAH).

SPECIFIC EXPLANATION:

Pursuant to Ordinance 2011-0899, enacted by Houston City Council on October 19, 2011, the City of Houston, Texas and Continental Airlines, Inc. (with United Airlines as successor-in-interest) entered into a Second Amended and Restated Special Facilities Lease Agreement (SFL) for the redevelopment, expansion, and operation of Terminal B at IAH in multiple phases. The City subsequently entered into multiple amendments to the SFL, as follows: Amendment No. 1 to change certain provisions required by the Federal Aviation Administration (FAA) under the Houston Airport System (HAS) Competition Plan; Amendment No. 2 to allow United to issue bonds to fund certain passenger terminal facilities, and to allow an extension for United to give notice of future Terminal B redevelopment phases up until December 31, 2024; and, Amendment No. 3 to issue bonds to fund certain improvements to the baggage handling system.

On November 15, 2023, City Council enacted Ordinance 2023-1003, approving and authorizing a Memorandum of Agreement (MOA) with United, in furtherance of Phase III of Terminal B Redevelopment. Phase III includes three milestone projects: (1) improvements to and expansion of the Terminal B Processor; (2) replacement of the Terminal B North Concourse to provide 22 narrow-body aircraft equivalent gates; and (3) replacement of the regional gate configuration on Terminal B South to provide 18 large regional gates, all as incorporated in a project definition approved by the Director in October 2023.

In order to accomplish Phase III, several enabling projects must be undertaken as further described in the MOA, including relocation of impacted tenants, engaging additional resources in the HAS Building Standards Group to oversee the project, making certain improvements to portions of the airfield and roadways, adding additional aircraft parking areas in certain locations at IAH, adding an 8,000-space remote employee parking lot to free up space in the terminal garages for airline passengers, and accommodating a relocation of Houston Police personnel assigned to IAH. Additionally, United is committing to renovate restrooms in all of its leased terminals in accordance with HAS design standards for restrooms in order to provide a 5-star passenger experience.

It is the intent of the parties to amend the SFL, to the extent necessary, to add certain aircraft areas to United's leasehold and to address other matters to facilitate Phase III of the Terminal B Redevelopment. United expects to expend up to \$1,950,000,000.00 on Phase III work, and the City intends to expend \$624,000,000.00 in three tranches to allow the City to reimburse United on a monthly basis, with title vesting in the City on a brick-by-brick basis, for United to construct Phase III redevelopment and certain enabling projects. It is now requested that City Council enact an ordinance appropriating \$150,000,000.00 from the Airport System Consolidated 2011 Construction Fund (8206) as the first of three appropriations.

Supplemental appropriation requests totaling \$474,000,000.00 will be required, with the first occurring in approximately 12 months, and the second occurring in approximately 24 months. Project costs are expected to be fully recoverable from multiple sources: \$375,600,000.00 from United after project completion in 2026 through the SFL, and the remainder from all airlines for applicable airfield components through rates and charges under other airline use and lease agreements, or from other users of certain facilities, such as airport parking.

The subject of this item was part of a preliminary presentation to the City Council Economic Development Committee (EDC) on May 31, 2023.

Fiscal Note:

No significant Fiscal Operating impact is anticipated as a result of this project.

Director's Signature:

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DocuSigned by:

Jim Szygemniak

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Mario C. Diaz
Houston Airport System

Andy Icken
Chief Development Officer

Prior Council Action:

10/19/2011 (O) 2011-0899
02/13/2013 (O) 2013-0128
04/01/2015 (O) 2015-0269
08/04/2021 (O) 2021-0655
11/15/2023 (O) 2023-1003

Amount and Source of Funding:

\$150,000,000.00
Airport System Consolidated 2011 Construction Fund
Fund 8206

Contact Information:

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Francisco Cuellar 281/233-1682



CITY OF HOUSTON

Houston Airport System

Interoffice

Correspondence

To: Mayor Sylvester Turner

From: Mario Diaz
Houston Airport System

Date: November 21, 2023

CC: Marvalette Hunter, Chief of Staff
Andy Icken, Chief Development Officer
COH Department Directors
HAS Senior Staff

Subject: HAS Director's Delegation of
Authority for November 22 –
November 28, 2023

I will be out of the office Wednesday, November 22, 2023, through Tuesday, November 28, 2023. I will return to the office on Wednesday, November 29, 2023.

In my absence, Jim Szczesniak, Chief Operating Officer, will be Acting Director and will have delegated signature authority for the Houston Airport System from Wednesday, November 22, 2023, to Tuesday, November 28, 2023. Mr. Szczesniak may be reached at 346-479-1383.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mario Diaz".

Mario Diaz, Director of Aviation
Houston Airport System