



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

District I

Item Creation Date: 11/5/2024

HAS - Additional Appropriation to Reimburse Southwest Airlines for West Concourse Expansion Project at HOU

Agenda Item#:

Background:

RECOMMENDATION:

Enact an ordinance appropriating \$160,000,000.00 from the Airport System Consolidated 2011 Construction Fund (8206) and \$40,000,000.00 from the Airports Improvement Fund (8011) for the West Concourse expansion project at William P. Hobby Airport (HOU).

SPECIFIC EXPLANATION:

On February 13, 2013, City Council approved Airport Use and Lease Agreement No. 75187 (U&L) with Southwest Airlines Co. (Southwest) at William P. Hobby Airport (HOU). The U&L defines the terms and conditions by which Southwest may conduct its commercial air transportation of persons, property, cargo, and mail as a certificated air carrier; use the airfield for aircraft operations; lease space in the terminal and concourses; have preferential use of ticket counters and aircraft gates; and use the Federal Inspection Services (FIS) area at HOU. Pursuant to a competition plan review by the Federal Aviation Administration (FAA), the City was required to enter into Amendment No. 1 to the U&L to include provisions regarding passenger facility charges and clarification on gate usage, which City Council approved on March 12, 2014, by authority of Ordinance No. 2014-214.

Subsequent to entering into the U&L, Southwest constructed a West Concourse with five international gates, four leased preferentially to Southwest, and one reserved as a City gate to be used on a common-use basis. Under the provisions of the U&L allowing the City to purchase the completed West Concourse, the City reimbursed Southwest for such Concourse taking over full control thereof.

Due to expected growth needs, Southwest is expanding the West Concourse with seven additional gates, six to lease preferentially, and one additional City gate to use for common use by airlines for international or domestic operations. By authority of Ordinance No. 2022-176, adopted on March 2, 2022, the parties entered into Memorandum of Agreement No. 4600017128 pertaining to the expansion project ("2022 Project"), and the City appropriated \$20,000,000.00 for Southwest to beginning planning and design on the 2022 Project.

On August 30, 2023, City Council enacted Ordinance 2023-698, approving and authorizing Amendment No. 2 to the U&L and appropriating \$250,000,000.00 to enable the City to reimburse Southwest for constructing the West Concourse expansion and related components. As indicated at the time, a supplemental appropriation of \$200,000,000.00 to reimburse Southwest would be requested within 12 to 15 months of the initial appropriation, and that is the subject of this request for Council action. This will bring the total appropriation amount to \$470,000,000.00, which is the total forecasted cost of the 2022 Project. Project costs are fully recoverable from the airlines following project completion in 2027 through the airline use and lease agreements. The 2022 Project also includes concession space, generating additional non-aeronautical revenue.

Fiscal Note:

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

Director's Signature:



DocuSigned by:

Jim Szczesniak

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Jim Szczesniak
Houston Airport System

Prior Council Action:

- 2/13/13 (O) 2013-129
- 3/12/14 (O) 2014-214
- 3/02/22 (O) 2022-176
- 8/30/23 (O) 2023-698

Amount and Source of Funding:

- \$160,000,000.00 Airport System Consolidated 2011 Construction Fund (8206)
- \$ 40,000,000.00 Airports Improvement Fund (8011)
- \$200,000,000.00 TOTAL

Contact Information:

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ATTACHMENTS:

Description

Previous Ordinances
Previous RCAs

Type

Backup Material
Backup Material