



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 8/30/2016

District B

Item Creation Date: 8/7/2016

HAS - IAH Fuel Company, LLC Fuel System Lease Agreement

Agenda Item#: 9.

Summary:

ORDINANCE approving and authorizing a fuel system lease agreement between the City of Houston and IAH FUEL COMPANY, LLC for certain premises at George Bush Intercontinental Airport/Houston; containing provisions relating to the subject; and declaring an emergency.

Background:

Ordinance approving and authorizing the execution of a Fuel System Lease Agreement with IAH Fuel Company, LLC, a consortium of airlines operating at George Bush Intercontinental Airport (IAH), to operate, maintain, and otherwise manage the fueling system at the airport.

Specific Explanation:

Fueling of aircraft is performed via a fuel system for the receipt, storage and dispensing of fuel. To date, the fuel system at IAH has been operated under a license agreement with the operator of the fuel system which has been controlled by an informal consortium of the airlines, led by United Airlines. Under this arrangement, the Houston Airport System (HAS) was responsible for capital improvements.

The airlines have now created a formal fuel committee under a new legal entity called IAH Fuel Company, LLC. HAS desires to have IAH Fuel Company, LLC lease, operate and maintain the fuel system, including making future capital improvements. The new Fuel System Lease is similar to other fuel system leases at large US airports.

The pertinent terms and conditions of the Fuel System Lease Agreement are as follows:

Leased Premises: Bulk Storage Facility (approximately 22.325 acres); Truck Rack (approximately .2 acres); Truck Parking Facility (approximately 1.4 acres); and related distribution lines.

Rent: IAH Fuel Company, LLC will pay to HAS an amount equal to the debt service on the improvements funded by the airport to date plus a ground rental amount.

First Year Debt Service	\$2,754,115.92
First Year Ground Rental*	\$356,250.00
Total Estimated First Year Revenue	\$3,110,365.92

*Ground rental rates increase 15% every five years.

Term: The Lease will be effective on the 1st day of the month following countersignature by the City Controller and continue thereafter until June 30, 2056. (Approximately 40 years.)

Other: IAH Fuel Company, LLC will be responsible for all environmental and other related liabilities. In addition, the Lessee will do fuel storage tank inspections and within one year perform a leak test for the System (installing a leak detection system). This test will be performed annually. The City has retained rights to enter the Premises and inspect and require corrective action.

Director's Signature:

Mario C. Diaz
Houston Airport System

Amount of Funding:

REVENUE: \$3,110,365.92 first year (annual)

Contact Information:

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ATTACHMENTS:

Description	Type
HAS - IAH Fuel Company, LLC Fuel System Lease Agreement - Ordinance	Ordinance/Resolution/Motion
HAS - IAH Fuel Company, LLC Fuel System Lease Agreement - Lease	Contract/Exhibit
HAS - IAH Fuel Company, LLC Fuel System Lease Agreement - Final	Contract/Exhibit