

**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date:

District B

Item Creation Date: 8/19/2016

HAS - Memorandum of Agreement (MOA) with United Airlines, Inc. for the Development of
a Maintenance Hangar Complex at IAH

Agenda Item#:

Summary:

AN ORDINANCE APPROPRIATING THE SUM OF \$12,500,000 OUT OF THE RENEWAL AND REPLACEMENT FUND (8010); APPROVING AND AUTHORIZING A MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS AND UNITED AIRLINES, INC. FOR THE DEVELOPMENT OF A MAINTENANCE HANGAR COMPLEX AT GEORGE BUSH INTERCONTINENTAL AIRPORT/HOUSTON (IAH); AND DECLARING AN EMERGENCY.

Background:**RECOMMENDATION:**

Enact an ordinance approving and authorizing a Memorandum of Agreement with United Airlines, Inc. for the development of a Maintenance Hangar Complex at George Bush Intercontinental Airport (IAH) and appropriating \$12,500,000 out of the Renewal and Replacement Fund. (WBS # A-000531-0001-4-01-01)

SPECIFIC EXPLANATION:

United Airlines Inc. (United) is seeking to expand its existing maintenance operations at George Bush Intercontinental Airport/Houston (IAH) consisting of one large hangar with two bays along with ancillary support facilities and related employee parking. This would enable United to consolidate its maintenance operations from William P. Hobby Airport (HOU) to IAH and allow the City to expand general aviation operations at HOU. The City of Houston (City) and United have reached agreement for the development of such aircraft maintenance facility expansion at IAH.

The pertinent terms and conditions of the agreement have been formalized in a Memorandum of Agreement (MOA) as follows:

- United will ground lease approximately 40 acres (1,765,000 square feet) located north of Will Clayton Parkway and east of the terminal complex at IAH. During the construction phase, rental shall be \$100 per month. Thereafter, rent shall be \$.35 per square foot per annum (\$617,750 annually) which shall escalate 15% every five years.
- United shall use the premises to construct and operate a large maintenance hangar complex consisting of approximately 450,000 square feet of hangar, shops, office space, and support facilities along with associated employee parking, in addition to apron space capable of parking multiple widebody aircraft. United will expend between \$120-160 million in capital investment. The project is expected to break ground in 3rd quarter of 2016.
- In order to ready the area for real estate development, a number of enabling projects must be completed. The enabling projects include managing and relocating existing airport, FAA, and Texas Department of Agriculture operations and relocating a roadway leading to other airport tenants. The City has determined that it will minimize disruption to IAH operations and the traveling public, streamline coordination efforts, and be more time-efficient if United manages all of the enabling projects. United, will vacate, at its own cost, all facilities it currently occupies which need to be vacated in order to proceed with its development.
- The City shall reimburse United the actual costs of these enabling projects. The cost of the enabling projects is estimated to be \$12.5 million, including a 20% contingency, which is to be appropriated with this MOA.
- United agrees to comply with all rules and regulations adopted by the airport and/or TSA and/or the FAA, and to comply with all federal, state and local statutes, ordinances, regulations and policies including Hire Houston First, Pay or Play, Drug Free Workplace Policy and Prevailing Wages.

United and the City agree to negotiate in good faith a ground lease agreement substantially similar to the terms of this MOA and will return to City Council for approval of that lease agreement. Under this MOA, United may begin development of the maintenance hangar complex immediately, the term of which will be the earlier of the effective date of the new lease or forty (40) years.

M/WBE Participation:

An MBE goal of 23% and a WBE goal of 7% have been established for enabling projects funded by the Houston Airport System. Up to 4% can be fulfilled by a qualified SBE firm.

There is no impact to the FY17 Adopted Operating Budget for this item. Therefore, no fiscal note is required as stated in the Financial Policy Ord. 2014-1078 as an Operating Budget Item.

This item is considered to be a capital project. See below for funding information and the required fiscal notes associated with a capital project. No impact to the operating budget is anticipated as the project relocates existing facilities and structures to similar facilities and structures at IAH. The existing facilities and structures will then be demolished and the site turned over to United. United will then construct its Maintenance Hangar Complex at the site and all future operating and maintenance expenses for the Complex shall be borne by United.

Capital Project Information

See attached Form A

Estimated Incremental Fiscal Operating Impact (See above)

Project	FY17	FY18	FY19	FY20	FY21	FY17-21 Total
UA MOA- MAINTENANCE HANGAR DEVELOPMENT						
WBS # A-000531-0001-4-01-01	\$0	\$0	\$0	\$0	\$0	\$0

Director's Signature:


Mario C. Diaz
Houston Airport System

Chief Economic Development Officer's Signature:


Andy Icken
Office of the Mayor

Prior Council Action:

N/A

Amount of Funding:

TOTAL: \$12,500,000 Renewal and Replacement Fund (8010)

Contact Information:

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ATTACHMENTS:**Description**

[Ordinance - United Airlines Hangar MOA](#)
[Exhibit A to Ordinance](#)

Type

Ordinance/Resolution/Motion
Backup Material