



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/11/2018

District B

Item Creation Date: 11/27/2018

HAS - Lease Agreement with Marathon Oil Company at IAH

Agenda Item#: 30.

Background:

RECOMMENDATION:

Enact an ordinance approving a lease agreement with Marathon Oil Company for certain premises at George Bush Intercontinental Airport/Houston ("IAH").

SPECIFIC EXPLANATION:

Marathon Oil Company ("Lessee") has requested to lease Hangar S584 located at 17281 John F. Kennedy Blvd. at IAH.

The pertinent terms of this lease agreement ("Agreement") are as follows:

1. **Leased Premises:** Approximately 279,002 square feet (approximately 6.405 acres) of land and improvements thereon, including 64,322 square feet of aircraft ramp and an approximately 29,590 square-foot Hangar S584.
2. **Term:** Initial term of thirty (30) years ("Term") with an option to extend the Term for an additional ten (10) years ("Option Period").

Lessee may terminate the Agreement for convenience by providing a six-months' prior written notice to the Director but shall in such event forfeit all improvements made to the Leased Premises. If HAS determines through its master planning efforts that the Leased Premises are needed for other airport development needs, the Director may terminate the Agreement upon twenty-four (24) months' advance written notice, and thereupon City shall reimburse Lessee for an amount equal to the unamortized value of Lessee's capital improvements made to the Leased Premises under this Agreement, subject to Council's appropriation of the funds.

3. **Rent:** Based on appraised market value, the initial rent shall be \$307,000.00 per year. Rent shall increase 15% every five (5) years thereafter.

The Option Period Rental Rate, beginning in the thirty first (31st) lease year, shall be in an amount equal to the greater of (1) a 15% increase of the Rental Rate for the last five years of the Agreement; or (2) the rental rate established by reappraisal of the Leased Premises (including any improvements made by Lessee after the Effective Date) in accordance with the appraisal procedures then in effect for the Airport. In the thirty-sixth (36th) lease year, the Option Period Rental Rate shall increase 15%.

4. **Use:** During the term of this Agreement, Lessee shall have the right to use Leased Premises only for its corporate aviation operations.
5. **Improvements:** The total minimum capital investment requirement over the term of the Agreement is \$3,000,000 or \$4,000,000 if the Option Period is exercised.
5. **Maintenance and Utilities:** Lessee shall, at its sole cost and expense, keep the Leased Premises and all improvements thereon, including those made or constructed by Lessee, in a good and sound state of repair. Lessee shall pay for all utilities or services, including hookups, which are furnished, provided or otherwise made available to Lessee by the City or any utility company providing direct service to Lessee.
6. **Other:** Lessee shall indemnify and hold the City harmless and shall provide the required insurance in the limits as stated in the Agreement. Lessee shall comply with all federal, state and local laws and regulations.

Fiscal Note: Funding for this item was not included in the FY2019 Budget. Therefore, a Fiscal Note is required as stated in the Financial Policies.

Director's Signature:

Mario C. Diaz
Houston Airport System

MD

Estimated Revenue			
DEPARTMENT	FY2019	OUT YEARS	TOTAL
Houston Airport System	\$153,499.98	\$16,735,703.52	\$16,889,203.50

Amount of Funding:

REVENUE: \$153,499.98 HAS Revenue Fund (8001)

Contact Information:

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