



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/11/2018

District B

Item Creation Date: 12/4/2018

HAS - Restated Memorandum of Agreement (MOA)

Agenda Item#: 19.

### **Background:**

### **RECOMMENDATION:**

Enact an ordinance approving and authorizing an Amended and Restated Memorandum of Agreement between United Airlines, Inc. and the City of Houston for the redevelopment of terminals and federal facilities at George Bush Intercontinental Airport/Houston (IAH) to expand international and domestic operations.

### **SPECIFIC EXPLANATION:**

By authority of Ordinance No. 2014-0631, passed and adopted by City Council on June 18, 2014, the City entered into Memorandum of Agreement No. 75846 (Original MOA) with United Airlines, Inc. (United), related to the IAH Terminal Redevelopment Project (ITRP) encompassing the expansion of the Mickey Leland International Terminal. Following passage of the Original MOA, the City and United entered into additional agreements related to Terminals B and C in support of ITRP. The parties have completed certain components of the ITRP scope as outlined in the Original MOA, including completion of a new concourse known as "New C North", and a connector to Terminal D. The parties desire to amend and restate the Original MOA in its entirety to address certain issues including increased roadway capacity, consolidation of international facilities, and increased domestic terminal capacity at IAH for the benefit of all airlines.

The pertinent terms of this Amended and Restated Memorandum of Agreement (Restated MOA) are as follows:

#### **1. ITRP:**

**Project Scope:** ITRP will include the following main elements: i) a "North Concourse" redeveloping the Old C North concourse and Terminal D into a single concourse to provide for three gate piers, to be developed in phases; ii) a Central Processor to consolidate the functions serving Terminal D and E (including a consolidated security checkpoint, baggage system improvements, expanded meeter/greeter area, and roadways and curbsides) to be developed by demolishing the D/E garage to enlarge the Terminal E Ticketing Hall; iii) modifications to the Federal Inspection Services building (FIS); and iv) various enabling projects.

**Phasing:** ITRP will be implemented in phases, initiated by demolition of the Old C North Concourse, construction of a new West Pier to be integrated with a renovated Terminal D to create the North Concourse, consolidation of Terminal D and E ticketing into a Central Processor, and modifications to the FIS. Future phases, to be demand-based, will include the addition of central and/or east pier(s) to the North Concourse.

**United Scheduling Rights:** United will be granted preferential scheduling and use rights to the three widebody gates on the west side of the West Pier of the North Concourse, subject to meeting certain minimum gate use requirements. Additionally, the parties will negotiate a new international facilities agreement (IFA) for all carriers using the North Concourse or Central Processor.

**Budget and Cost Recovery:** A final budget for the first phase of ITRP shall be established, not to exceed the City's current estimate of \$1.3 billion dollars (in escalated dollars). PFC revenues shall be used to offset eligible capital costs, and rates and charges methodologies shall be established to be assessed against all participating carriers utilizing the North Concourse, Central Processor and FIS to achieve full cost recovery while maintaining a reasonable airline cost per enplaned passenger.

#### **2. Terminal E:**

**Sublease:** United will sublease space in the Terminal E Ticketing Hall, to which it holds exclusive use rights, to the City in order to facilitate renovation and expansion of the Terminal E Ticketing Hall to handle processing for all carriers using the North Concourse. City shall reimburse United, through rent credits, for an amount equal to the unamortized value of United's capital improvements made to the Terminal E Ticketing Hall, and other rent paid by United, in exchange for paying rates and charges for space leased or retained by United in the consolidated "New Ticketing Hall".

**SFL Extension:** In exchange for subleasing the Terminal E Ticketing Hall for expansion and use by all carriers using the North Concourse, the City will agree to an extension of the option period for the Terminal E South Concourse from five years to fifteen years, subject to applicable state laws and tax laws, and the parties will execute an amendment or restatement of the Terminal E Special Facilities Lease (Terminal E SFL) to effect this change. All other terms of the Terminal E SFL, including vesting of Terminal E with the

City and reversion of concessions to the City after the Initial Term, shall remain unchanged.

**3. Terminal A:**

Project Scope: To accommodate future growth of all domestic airlines, the City is planning for a renovation and expansion of Terminal A. In this regard, the City may construct additional gates, in a number to be determined, after consulting with all domestic airlines to determine need, while reviewing funding capacity, timelines and operational constraints.

Airline Scheduling Rights: United will relinquish its scheduling and use rights to gate A3 within 90 days from the Effective date of the Restated MOA but shall retain such rights to four other gates in Terminal A. Additionally, the City will work with United to construct additional gates for its future needs in Terminal A. Airlines receiving new gates shall be granted preferential scheduling and use rights and be obligated to meet minimum gate use requirements, as well as being obligated to lease such gates for a minimum number of years to be agreed upon, along with a newly negotiated Terminal A use and lease agreement.

Budget and Cost Recovery: The scope and budget for the redevelopment of Terminal A has not yet been determined. PFC revenues shall be used to offset eligible capital costs, and rates and charges methodologies shall be established to achieve cost recovery while maintaining a reasonable airline cost per enplaned passenger.

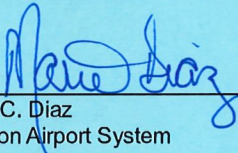
**4. UTOC:**

United has provided an environmental report justifying the need for an increase to the maximum reimbursable amount for environmental work to support the United Technical Operations Center (UTOC) Project, as defined in the UTOC Special Facilities Lease (UTOC SFL). The parties will execute an amendment for City Council approval to make a supplemental allocation of \$5 million dollars, as provided in Section 5.6 of the UTOC SFL. In exchange for the supplemental allocation, the City shall increase the ground rental rate proportionately for funds actually reimbursed in order to achieve full cost recovery of such supplemental allocation.

5. Other: As mentioned above, additional agreements shall be negotiated and submitted to City Council for approval including i) a new IFA, ii) a new Terminal A use and lease agreement, iii) an amendment or restatement of the Terminal E SFL, iv) an amendment of the UTOC SFL.

**Fiscal Note:** This Restated MOA expends no funds nor produces revenue. Therefore, no Fiscal Note is required as stated in the Financial Policies.

**Director's Signature:**



Mario C. Diaz  
Houston Airport System

**Prior Council Action:**

06/18/14 (O) 2014-0631

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