

AGENDA



Recommendation for Council Action

Austin City Council	Item ID	47680	Agenda Number	1.
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Meeting Date:	8/27/2015	Department:	Aviation
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Subject

Authorize execution of a lease agreement with Highstar Capital IV, L.P. for up to 30 acres of land at Austin-Bergstrom International Airport to improve, operate, and maintain a limited services airport terminal for a 30-year term with two five-year extensions.

Amount and Source of Funding

Fiscal Note

There is no unanticipated fiscal note. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	June 18, 2015 – City Council authorized negotiation of a lease with Highstar Capital IV, L.P. for up to 30 acres of land at Austin-Bergstrom International Airport to improve, operate, and maintain an ultra-low cost airport terminal for a 30 year term with two 5 year extensions.
For More Information:	Jim Smith, Executive Director, (512) 530-7518; Susana Carbajal, Assistant Director, (512) 530-6364.
Council Committee, Boards and Commission Action:	June 9, 2015 –Austin Airport Advisory Commission approved the negotiation and execution of the lease by 5-0.
MBE / WBE:	This agreement will be executed in compliance with the Third Party Resolution No. 20120112-058 and requirements of Chapter 2-9 (A-B) of the City Code (Minority-Owned and Women Owned Business Enterprise Procurement Program).
Related Items:	

Additional Backup Information

In 2008, Austin-Bergstrom International Airport (ABIA) opened a low-cost terminal that was designed, built, and operated by General Electric Capital Aviation Services. The low-cost terminal was referred to as the “South Terminal”. The South Terminal is located south of the Barbara Jordan terminal. The public may access the South Terminal from the south via U.S. Highway 183, Bureson Road, and Emma Browning Avenue. The South Terminal is a single-story corrugated metal building with three aircraft loading positions and built with over 1,100 public parking spaces and ground transportation staging areas. At that time, VivaAerobus offered non-stop services to six destinations in Mexico for over one year until national economic factors contributed to discontinued service. The South Terminal is currently not in use.

Since 2008, airline consolidation and route reductions have made the air service industry more competitive for airports to acquire and retain air service for their communities. ABIA seeks to reactive the South Terminal in order to

successfully compete with other airports and expand air service for the Austin community. The Barbara Jordan terminal is currently operating at maximum capacity and space is not readily available to accommodate expanded airline operations. The South Terminal has the capacity to meet a specific business model and expand air service for Austin and Central Texas. The South Terminal is a limited services terminal that does not provide passenger loading bridges or an automated baggage handling system. While the South Terminal may not offer many of the traditional airport amenities as these, such cost reductions in airline operations are passed on to passengers with low air fares. Due to the Barbara Jordan terminal operating at maximum capacity and the high demand for air service at ABIA, reactivating the South Terminal and making it available for the community no later than early 2016 is critical.

Highstar Capital IV, L.P. (Highstar) is an established global airport operator with experience in financing, reactivating, and operating aviation facilities throughout the world. Highstar is involved in airport and airline service development and has proposed to provide the initial investment necessary to make the capital improvements in order to reactivate and operate the South Terminal and expand air service at ABIA.

Under the proposed lease agreement, Highstar will lease up to 30 acres to improve, operate, and maintain the South Terminal, including the aircraft apron parking as well as adjacent areas for public parking, ground transportation, and rental car services. The term of the lease will be for 30 years with two 5-year extension options at the discretion of the City. The lease will comply with the City's Minority-Owned Business Enterprise, Women-Owned Business Enterprise, and Disadvantaged Business Enterprise Programs. At the end of the term of the lease, the facility and its improvements shall revert to the City.

Highstar will pay the City the greater of fixed rent (adjusted annually per the Consumer Price Index) or a percentage of commercial revenue generated by facility operations. Additionally, all landing fees and passenger facility charges shall be paid to the City.