



IAH Terminal Redevelopment Project

Memorandum of Agreement with United Airlines

May 29, 2014



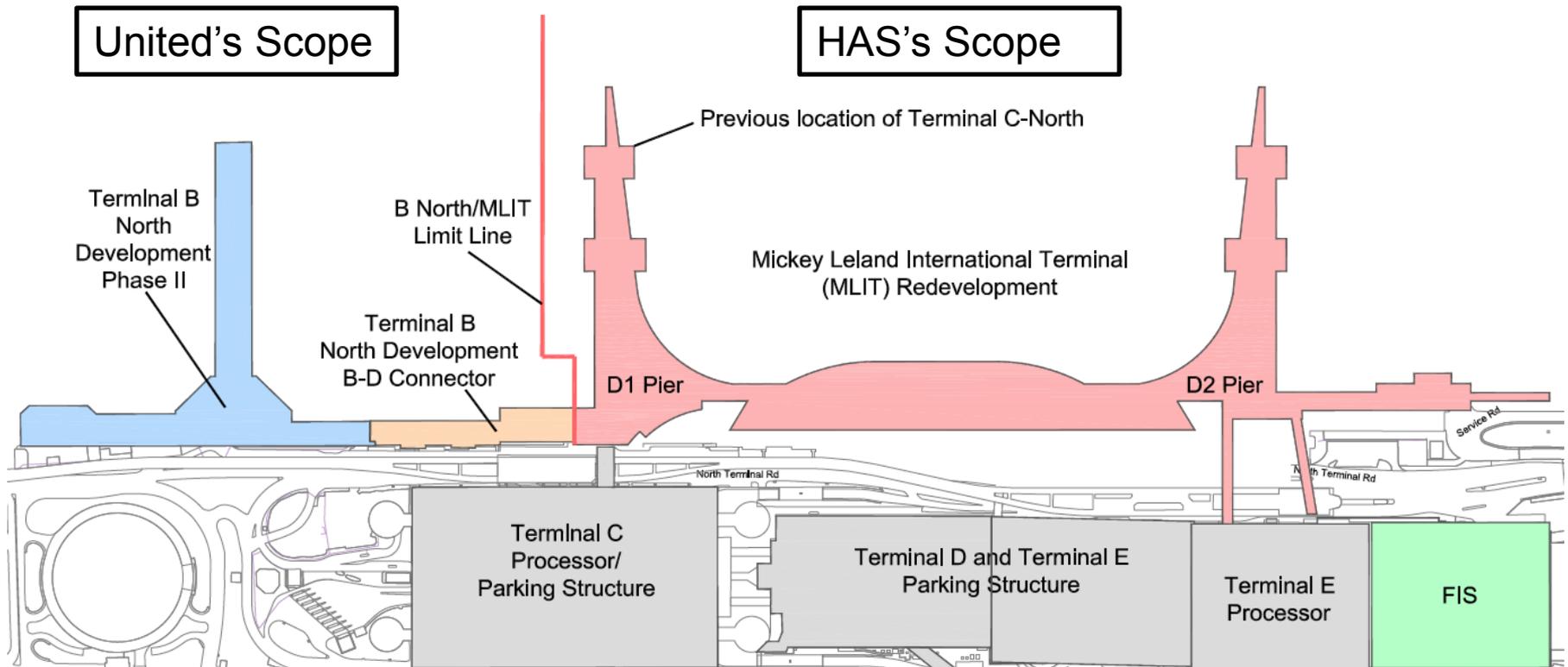
On April 24, HAS presented plans for a new Mickey Leland International Terminal (MLIT)



- Sufficient capacity for today and tomorrow
- Functional, intuitive, passenger-friendly
- Aesthetically appealing
- Sense of place with local “Houston feel”
- Modern bathrooms, clubrooms, and concessions
- Technology-enabled
- Affordable

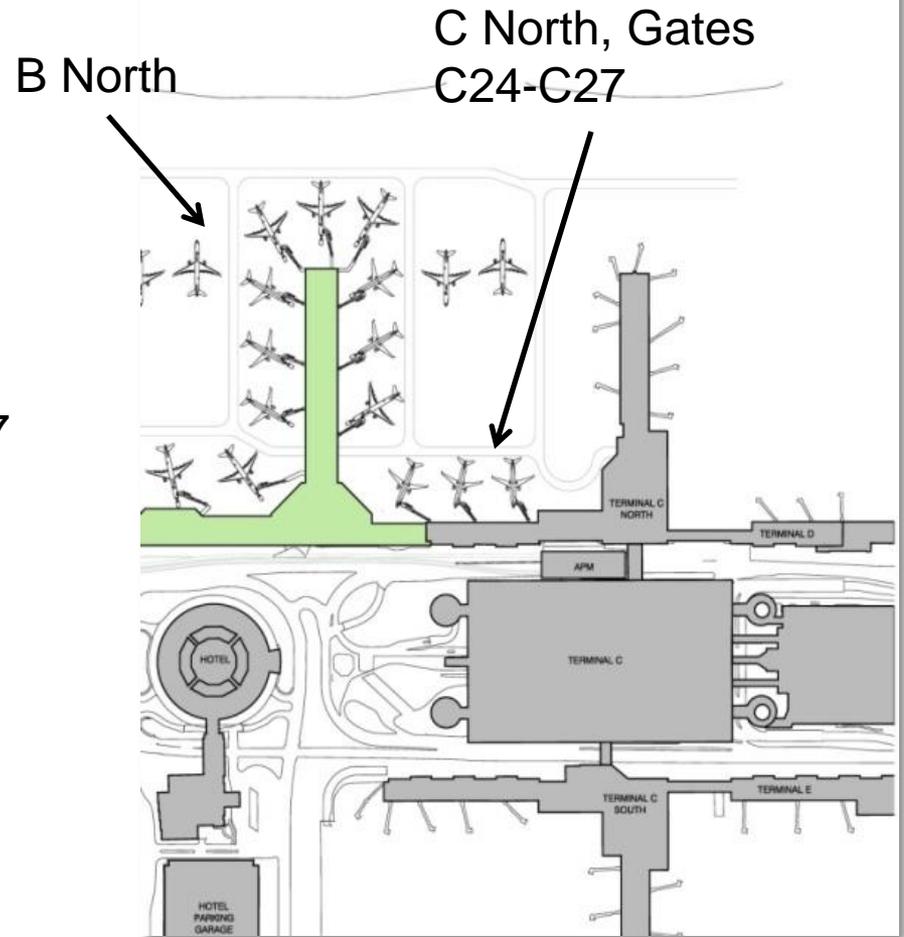
The project is in partnership with United Airlines, which will build a new Terminal B North Pier

- HAS and United have drafted a Memorandum of Agreement (MOA) that will be brought to City Council for approval in early June



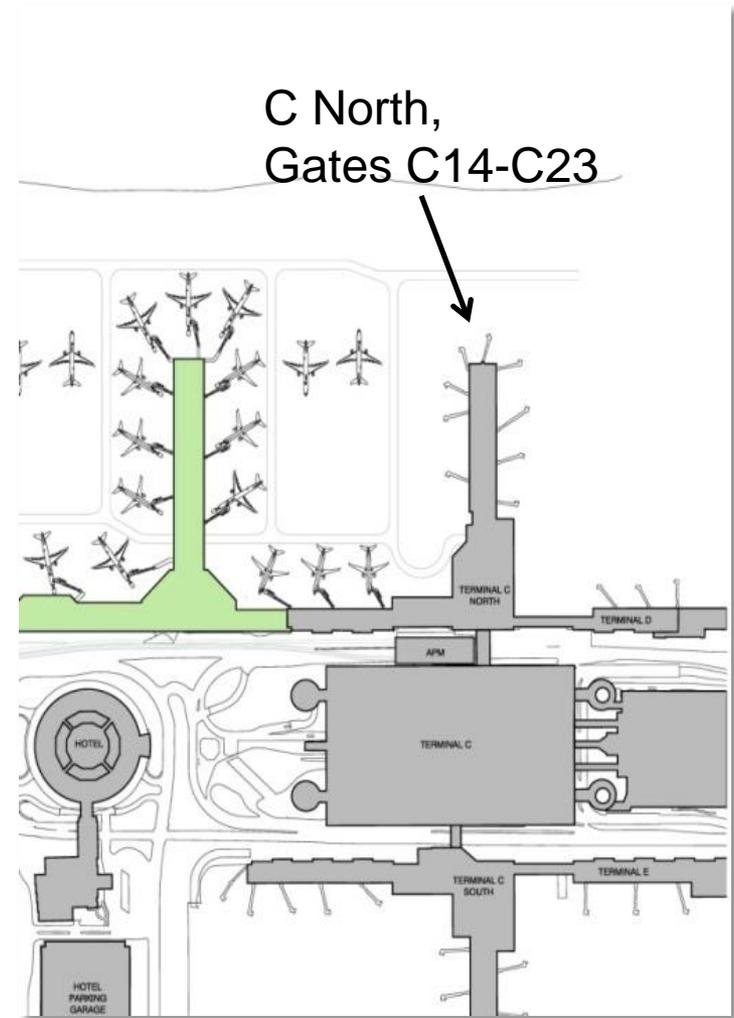
United's project scope includes the Terminal B North Pier and renovation of Gates C24-C27 in Terminal C

- The new Terminal B North Pier is anticipated to have 11 gates
- The B North Pier will connect to Terminal C North, Gates C24-C27
- United will renovate Terminal C North, Gates C24-C27



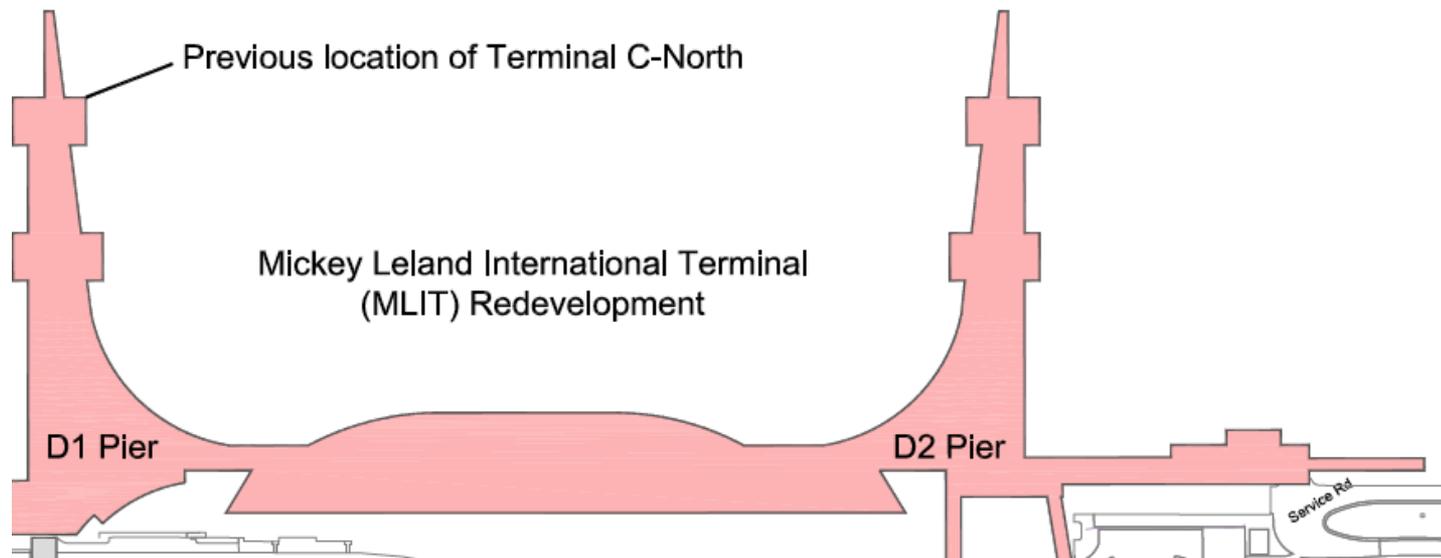
Upon completion of the Terminal B North Pier, United will vacate Terminal C North, Gates C14-C23

- United will relocate its operations from Gates C14-C23 to the new B North Pier and relinquish its exclusive lease rights to these gates
- HAS will redevelop Terminal C North, Gates C14-C23, to become an integrated part of the new MLIT
- Terminal C North, Gates C14-C23, when reconstructed, will be known as the D1 Pier within the MLIT
 - The D1 Pier will support international operations during construction of the MLIT and provide long-term capacity



HAS's project scope includes the redevelopment of Terminal C North and Terminal D

- The new MLIT -- with its D1 and D2 Piers -- will be capable of handling 15 widebody aircraft
 - Four gates will be capable of handling Group VI aircraft, such as the Airbus A380
 - Other enabling projects, such as roadway improvements and expansion of the Federal Inspection Service Facility (FIS), if necessary, will be included



Terminal B North will be funded pursuant to the Terminal B Special Facility Lease

Concourse Building

- *Budget:* ~ \$150 MM (preliminary)
- *Funding:* United to fund using Special Facility Revenue Bonds on United's credit and/or cash funding

Ramp Infrastructure

- *Budget:* To be determined
- *Funding:* HAS to fund using existing \$3.00 Passenger Facility Charge (PFC) collections, pursuant to the Terminal B Special Facility Lease with United

The MLIT will be funded using a variety and mix of sources

MLIT Building (D1 and D2 Piers)

- *Budget:* \$700 MM - \$900 MM, to be finalized upon completion of a Program Definition Manual (PDM) in July
- *Funding:* HAS to fund using a mix of sources, including pay-as-you-go financing and new General Airport Revenue Bonds (GARBS), supported by:
 1. An increase in the PFC to \$4.50 per enplaned passenger - provides funding in lieu of airline charges and supports a minimum HAS debt service coverage ratio of 1.5
 2. An increase in airline rents and nonairline revenue from concessions and parking - for the first five years the cost to the airlines for using the the MLIT shall not be more than 150% of current cost per enplaned passenger adjusted for inflation

FIS Expansion

- *Budget and Funding:* To be determined following further planning work around project scope

The MOA commits to changing airline agreements for Terminals B, C and D

Terminal B

- The term as to any deferred phase to be extended from December 31, 2017 to December 31, 2024
 - Phase 1 – B South; Phase 2 – 1st B North Pier; Phase 3 – additional B North Piers and terminal building/FIS

Terminal C

- United's exclusive rights to the Terminal C North footprint, inclusive of Gates C14-C23, to be terminated, and
- United to vacate Terminal C North upon completing its Terminal B North Pier, no later than March 31, 2017

Terminal D

- The current agreement to be replaced when it expires on June 30, 2015
 - MLIT to remain common-use, except for outside peak hours when United shall have preferential scheduling rights in the D1 Pier so long as it maintains 1,200 passengers per gate per day

The MOA includes several other key terms

Airline Payments and Allowances

- In consideration for United relinquishing its lease rights to Terminal C North, HAS agrees to pay United \$36.5 MM as an early termination fee
 - Represents the cost difference to United of building the Terminal B Pier early versus remaining in Terminal C North
- HAS will provide a moving allowance to airlines, as follows: \$250,000 for United and up to \$75,000 for foreign flag airlines
- These funds will be appropriated separately and capitalized as an additional MLIT project cost

Nonairline Revenue Sharing

- HAS will negotiate a nonairline revenue sharing formula at IAH, if the debt service coverage ratio at IAH is greater than 1.5
 - Ensures total costs paid by the airlines are no higher than necessary to maintain HAS's financial security

In early June, HAS will seek City Council's approval of the MOA and an increase of the PFC

- The MOA and the PFC increase must be considered by City Council as a single linked item because the terms of the MOA cannot be fulfilled without increasing the PFC
 - Separate requests for funding, such as the issuance of GARBs, will be made to City Council at later dates
- The MOA establishes several milestones for next steps and will expire thereafter:
 - July 31, 2014 – Completed PDM, establishing the final MLIT budget
 - October 31, 2014 – Amendments to airline agreements for Terminals B and C approved by City Council, with related appropriations
 - December 31, 2014 – PFC amendments and new applications made to the FAA, with FAA approval to follow
 - June 30, 2015 – Replacement airline agreement for the MLIT, executed by United

Q & A



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