City of Austin

Recommendation for Action

File #: 26-1946, **Agenda Item #:** 3. 7/23/2026

Posting Language
Authorize negotiation and execution of a lease with Southwest Airlines Co. for certain premises consisting of approximately 18,601 square feet of building space, 13,418 square feet of cargo handling space, and related improvements for its provisioning operations at Austin-Bergstrom International Airport, for a term of five years, commencing after the date of beneficial occupancy, and with a renewal option for one additional five-year term. Funding: This item is projected to result in $3,038.16 of revenue for the Fiscal Year 2025-2026 Operating Budget of Austin Aviation, which is two months' ground rent during the construction of tenant improvements. The full rental rate will begin in Fiscal Year 2026-2027 after construction is complete.

Lead Department
Austin Aviation

Fiscal Note
This item is projected to result in $3,038.16 of revenue for the Fiscal Year 2025-2026 Operating Budget of Austin Aviation, which is two months' ground rent during the construction of tenant improvements. The full rental rate will begin in Fiscal Year 2026-2027 after construction is complete.

For More Information:
Tracy Thompson, Airport Chief Officer - Business & External Affairs, tracy.thompson@flyaustin.com or 512-530-5023.

Council Committee, Boards and Commission Action:
July 8, 2026 - The Airport Advisory Commission recommended the lease on a 9-0 vote.

Additional Backup Information:
Austin Aviation seeks to lease and provide use of certain premises of its air cargo facility located at 9402 Freight Lane to Southwest Airlines Co. (Southwest). Under the proposed terms for this new, five-year lease, Southwest would lease for exclusive use, approximately 18,601 square feet of building space at a rental rate calculated based on a cost recovery model related to the construction of the facility, including debt service coverage and ground rent, and approximately 13,418 square feet of cargo handling space based on Austin Aviation's cargo apron rental rates. Tenant improvement costs are not considered, as Southwest would be responsible for any approved improvements. Southwest would also have preferential use of approximately 13,418 square feet of cargo handling space. Once the date of beneficial occupancy has been established, Southwest will pay $414,206.16 in the first full year of the lease agreement.

The lease will include an option for one five-year renewal term. The cost recovery model and cargo apron rental rate methodology applied to the initial term will also be applied to the renewal term. In addition, operation and maintenance rent will be included in the building space rental rate during the renewal term.