

THE BOND BUYER

Austin airport terminal operator litigation settled for \$88 million

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The Austin City Council on Thursday approved an \$88 million settlement with an airport terminal operator that will allow a largely bond-financed expansion and development program at the Austin-Bergstrom International Airport to move forward with a midfield concourse project.

The settlement paid with airport revenue will end litigation against the city by LoneStar Airport Holdings, the operator of the South Terminal, a facility that will be demolished as part of the program, according [to a statement](#) from the airport.

LoneStar [had been awarded](#) \$90 million by the Travis County Probate Court in February as a result of the city's petition seeking condemnation of the company's terminal-related leasehold.



The Austin-Bergstrom International Airport's South Terminal is slated for demolition to make way for a mid-field concourse as part of a largely bond-financed expansion. Dan Herron

Austin and LoneStar entered into a 40-year lease and concession agreement in March 2016 for the terminal currently used by low-cost airlines Frontier and Allegiant.

LoneStar sued the city in federal court in August, seeking hundreds of millions of dollars in damages. The lawsuit accused Austin of abusing its condemnation power and claimed the city breached the contract by excluding the company from participating in plans to build a new terminal.

The litigation was sparked by the city's move to use eminent domain to take control of the terminal, which is slated to be torn down to allow for the construction of a midfield concourse.

"Building removal for the additional 30 structures is currently underway and the acquisition of the leasehold interest in the South Terminal facility is a critical milestone for AUS in moving forward with the midfield concourse project," the airport's statement said.

The city sold \$416 million of airport system revenue bonds last year to finance a new baggage handling facility, work on the airport's primary Barbara Jordan Terminal, demolition of old buildings and infrastructure, and other projects. An April 2022 airport consultant report indicated approximately \$1.44 billion of additional bonds would be issued starting in 2024 and ending in 2028.

"The sizing of the issuances might vary based on our re-evaluation of the capital projects necessary to provide adequate facilities for the increased aircraft operations and projected passenger activity levels," an airport spokeswoman said Friday.

Amid record growth, the airport in 2021 announced the development program, which carries an estimated price tag of \$3.5 billion to \$4 billion with Federal Aviation Administration grants expected to cover some of the costs.

Passenger traffic from January through March [was up 19%](#) compared to the same period in 2022.