



Los Angeles World Airports



REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Dave Jones

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Meeting Date:

10/1/2020

CAO Review:

☐ Completed
☒ Pending
☐ N/A

<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	9/24/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	NEO
CEQA	9/15/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	9/18/2020	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	MJ
Guest Experience	9/15/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	9/11/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KCDL

SUBJECT: Adopt the Final Negative Declaration for the Terminal 6 Renovation project, approve the Third Amendment to the Terminal Facility Lease and License Agreement with Alaska Airlines, Inc. in Terminal 6 at Los Angeles International Airport and appropriate funds in the amount of \$225,000,000.

Consider and adopt the California Environmental Quality Act Final Negative Declaration for the Los Angeles International Airport Terminal 6 Renovation Project; approve the Third Amendment to the Terminal Facility Lease and License Agreement with Alaska Air Lines, Inc. in Terminal 6 at Los Angeles International Airport and approve and appropriate funds in the amount of \$225,000,000 to acquire the improvements.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. FIND that:
 - a) On the basis of the whole record before the Board, including the Final Negative Declaration for the Terminal 6 Renovation project, which includes the Initial Study/Negative Declaration, and all comments received, there is no substantial evidence that the Terminal 6 Renovation project will have a significant effect on the environment;

- b) The Board of Airport Commissioners, as the decision-making body of the lead agency, considered the information contained in the Final Negative Declaration prior to approving the Terminal 6 Renovation project and any comments received; and,
 - c) The Los Angeles International Airport Terminal 6 project Final Negative Declaration represents the independent judgment and analysis of the lead agency.
3. ADOPT the Final Negative Declaration for the Terminal 6 Renovation project.
 4. FIND that the Terminal 5.5 (T5.5) Core project described below is consistent with the LAX Landside Access Modernization Program (LAMP) Environmental Impact Report (EIR) [ENV-2016-3391-EIR], which was certified by Board of Airport Commissioners on March 2, 2017 (Resolution 26185), and certified and adopted by the Los Angeles City Council on June 7, 2017. The proposed activity would not result in any new or more significant environmental impacts than those already described and analyzed in that EIR and does not include any changes to the LAX LAMP project that would require further review under CEQA pursuant to Public Resources Code section 21166 and State CEQA Guidelines section 15162.
 5. AUTHORIZE the Chief Executive Officer to exercise the option to purchase Non-Proprietary Terminal Renovations with cash payments instead of rent credits as provided in the Terminal Facilities Lease and License Agreement.
 6. APPROVE the proposed Third Amendment to the Terminal Facility Lease and License Agreement with Alaska Airlines, Inc.
 7. APPROPRIATE funds in the amount of \$202,500,000 to purchase Airline Renovations and \$22,500,000 to purchase Terminal Renovations, including interest during construction.
 8. AUTHORIZE the Chief Executive Officer or his designee to execute the proposed Third Amendment to the Terminal Facility Lease and License Agreement with Alaska Airlines, Inc. subject to approval as to form by the City Attorney and upon approval of the Los Angeles City Council.

DISCUSSION:

1. Purpose

Adopt the Final Negative Declaration (ND) prepared for the Los Angeles International Airport (LAX) Terminal 6 (T6) Renovation project, approve the LAX T6 project as described in the Final ND, and facilitate construction of renovations in Terminal 6 at Los Angeles International Airport (LAX) as contemplated in the Terminal Facility Lease and License Agreement (Lease) with Alaska Air Lines, Inc. (Alaska).

2. Prior Related Actions

- **April 4, 2011 – Board Resolution 24422 (LAA-8581)**
The Board of Airport Commissioners (Board) approved a ten-year Terminal Space Lease and License Agreement with Alaska in Terminal 6 at LAX. Concurrent with the Lease, the Board approved funding in the amount of \$271,000,000 for Terminal 6 renovations.

- **May 2, 2019 – Board Resolution 26757 (LAA-8581A)**
The Board approved the Amended and Restated Terminal Facility Lease and License Agreement (Lease) with Alaska covering space in Terminal 6 at LAX that extended the term and expanded demised premises to conform with the Alaska / Virgin America merger.
- **April 09, 2020 – Board Resolution 26995 (LAA-8581B)**
The Board approved deferral of the payment of terminal rental, terminal use and airfield fees under Non-Exclusive Air Carrier Operating Permits and Terminal Lease and License Agreements, due in the months of April and May 2020, and authorized Los Angeles World Airports (LAWA) to implement a Temporary Passenger Airline Relief Program. This was the Second Amendment to Lease LAA-8581.

3. Current Action

The Lease provides Alaska the opportunity to propose improvements to Terminal 6, subject to all necessary approvals and a subsequent Board action to approve funds to acquire the improvements. In accordance with the Lease, Alaska has submitted, and the Chief Executive Officer (CEO) has approved, the Alaska T6 Defined Terminal Improvement Program (DTIP). Pursuant to the Lease, upon DTIP approval, and after receipt of all other necessary approvals, LAWA must return to the Board to request a subsequent action to approve the purchase of the approved DTIP projects, and appropriate funds to acquire the approved project components.

Pursuant to the non-proprietary maximum acquisition amount of \$220,000,000 established in the Lease, Alaska submitted a DTIP for the following improvements (see attached exhibit for reference):

- New aircraft fueling system around the entire terminal (15 gates total) including all new concrete pavement around the entire terminal up to the alleyways and taxiways. The current fueling system is the original system from the 1960's which is beyond its useful life and needs to be replaced. This major upgrade for fuel and pavement will provide long term reliability for operational in Terminal 6.
- All new Passenger Boarding Bridges with associated apron pavement markings to create a new and fresh look that meets all of today's LAWA aircraft parking standards.
- Modernized Security Screening Check Point from all standard lanes to five Automated Service Lane's and three standard lanes and architectural improvements that provide a more efficient and better customer experience.
- Complete reconfiguration of the vertical circulation to the Federal Inspection Services (FIS) corridor and a new associated drive-through bus gate at this same location to serve both international and domestic travel. This replaces old vertical circulation equipment, modernizes the space and provides a better customer experience at this critical passenger waypoint location.
- Expansion of four hold rooms with all new finishes and powered seating. The remaining 11 hold rooms will receive all new carpeting and millwork to ensure a uniform terminal experience.

Over and above the non-proprietary components that LAWA will acquire, Alaska will invest approximately \$5,000,000 of proprietary improvements in the facility as part of this project.

In addition to the scope proposed by Alaska in the DTIP, LAWA determined that it would be more feasible and economical for the Alaska Terminal 6 project to complete a portion of the connection between Terminal 5.5 Core and Terminal 6 instead of the Terminal 5.5 (T5.5) Core project, so this scope is proposed to be transferred to the Alaska Terminal 6 Modernization project. This change allows for a logical separation point (T5.5/T6 expansion joint) between the two projects, with all the work in T6 being performed by the T6 contractor. This benefit LAWA by reducing costs that LAWA would otherwise incur for implementation of unnecessary expansion joints and structural systems.

To facilitate this change, the proposed Third Amendment increases the maximum non-proprietary acquisition amount by \$5,000,000 from \$220,000,000 to \$225,000,000 as outlined below. The additional \$5,000,000 will be transferred from the T5.5 Core project to the T6 Modernization project in the LAWA's Capital Improvement Plan (CIP) budget resulting in a net zero change to the overall CIP budget.

Option to Purchase with Cash

In accordance with the Lease, LAWA will acquire Non-Proprietary Airline Renovations with cash and issue rent credits in equal installments over the remaining term of the proposed Lease for the Non-Proprietary Terminal Renovations portion, unless the Board approves exercising the option to make a cash payment instead. The Alaska Terminal 6 project cost breakdown with the issuance of rent credits is as follows:

Terminal 6 Non-Proprietary Renovations

Component		Cash Cost	Additional Interest for Rent Credits	Cost with Rent Credits
Airline Renovations	\$	202,500,000	\$ -	\$ 202,500,000
Terminal Renovations	\$	22,500,000	\$ 4,412,000	\$ 26,912,000
Total	\$	225,000,000	\$ 4,412,000	\$ 229,412,000

To eliminate the \$4,412,000 cost of interest that will accrue as the \$22,500,000 capital costs for the Non-Proprietary Terminal Space Renovations is paid down in equal installments over the remaining term of the Lease, staff currently requests that the Board authorize LAWA to exercise the option, pursuant to Section 2 of Schedule 1-A of the Lease, to purchase the Non-Proprietary Terminal Space Renovations with cash rather than issuing rent credits.

Negative Declaration and Public Review

Pursuant to the State of California Public Resources Code, Article 6 of the California Environmental Quality Act (CEQA), as amended, the City of Los Angeles, through Los Angeles World Airports, prepared an Initial Study (IS) for the proposed LAX Terminal 6 Renovation project. The Initial Study (IS) evaluated environmental topics required by CEQA in the Checklist of the State CEQA Guidelines. The IS determined that the proposed project would result in less than significant impacts during construction to aesthetics, air quality, cultural resources, energy, geology/soils, greenhouse gas emissions, hazards and hazardous materials, hydrology/water quality, noise, transportation, tribal cultural resources and utilities/service systems. The proposed project would be constructed in the same

location as the existing T6 concourse, and the operation of the proposed project may result in a reduction in emissions and other pollutants. In addition to adherence to the LAWA Sustainable Design and Construction Policy, the proposed project would incorporate modern building materials and internal systems technology in accordance with the Los Angeles Green Building Code, where possible, resulting in an increase in energy efficiency for T6 operations.

The implementation of the project will be phased so that the majority of T6 gates will remain open throughout construction to reduce operational impacts and maintain a minimum level of service for passengers.

Best management practices would be implemented to reduce the potential for cumulatively significant impacts to occur as a result of the proposed project in combination with other existing and future on- and off-airport construction projects.

Implementation of the T6 project would comply with federal, state and local regulations to ensure construction and operation of the proposed project would not significantly impact human health and safety.

A Notice of Intent (NOI) to Adopt a Negative Declaration was published on January 16, 2020 in the Los Angeles Times, Los Angeles Daily Breeze, and The Argonaut newspapers to notify the public about the proposed project and disseminate information on how to submit comments as well as the deadline for submitting comments. The draft Initial Study/Negative Declaration was circulated for public review from January 16, 2020 to February 5, 2020. The purpose of the public review period was to provide interested public agencies, organizations, and individuals the opportunity to comment on the contents and accuracy of the document. Additionally, the NOI was filed with the Los Angeles County Clerk and Los Angeles City Clerk and distributed to approximately 40 agencies, Native American tribal contacts, and community stakeholders, as well as approximately 6,100 property owners and residents. The NOI provided information on publicly-accessible locations where the draft IS/ND could be reviewed and how to provide comments. A copy of the documents also was posted online.

During this public review period, a total of five comment letters were received. All of the comments received, as well as the response to those comments, are published in the Final Initial Study/Negative Declaration.

Based on the evidence in the whole of the administrative record for the T6 project and, as mentioned above, there is no substantial evidence that the project would have a significant effect on the environment.

How this action advances a specific strategic plan goal and objective

This action advances this strategic goal and objective: *Deliver Facilities & Guest Experiences that are Exceptional: Develop, maintain and operate first class facilities.* Enabling Alaska to make renovations to the terminals and providing the potential for future improvements to Terminal 6, will improve the guest experience at LAX.

Action Requested

Staff requests that the Board adopt the Final ND prepared for the T6 project.

Staff requests the Board appropriate \$225,000,000 funds and transfer \$5,000,000 from the Terminal 5.5 Terminal Vertical Core Program to the Terminal 6 Development Project and approve the total direct project cost of \$231,070,000 to include LAWA costs.

Staff requests the Board authorize the Chief Executive Officer to exercise the option to purchase Non-Proprietary Terminal Renovations with cash payments instead of rent credits as provided in the Terminal Facilities Lease and License Agreement.

Staff requests the Board approve and authorize the Chief Executive Officer to execute the proposed Third Amendment to the Terminal Facilities Lease and License Agreement, subject to the approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

Fiscal Impact

The Terminal 6 Modernization Project (by Alaska Airlines) is programmed in LAWA's 10-year Capital Improvement Plan (CIP), with a total direct budget of \$231,070,000, \$225,000,000 of which are associated with the purchase of leased assets. Consequently, the requested appropriation of \$225,000,000 represents no net increase to the CIP budget.

LAWA's total acquisition cost for non-proprietary improvements including interest during construction is capped at \$225,000,000.

All cost for the planned improvements from Alaska will be expected to be recovered through future terminal rates and charges pursuant to the Rate Agreement as well as concession revenues generated in the terminals.

4. Alternatives Considered

- ***Take No Action***

Not executing the proposed Amendment will result in cancellation of Alaska's plan to make improvements to Terminal 6. Abandonment of this plan will substantially defer planned upgrades.

APPROPRIATIONS:

Staff requests the Board to appropriate and allocate \$225,000,000 for the cash acquisition of the Improvement projects from the LAX Revenue Fund to WBS Element 1.21.09A-700 (T6 Modernization) and other related WBS Elements as needed, and as identified in the Current Action section and further delineated in the proposed Lease Amendment.

STANDARD PROVISIONS:

1. An Initial Study and Negative Declaration was prepared for the T6 Renovation project in compliance with the California Environmental Quality Act (CEQA) and the City of Los Angeles CEQA Guidelines. Pursuant to State CEQA Guidelines Section 15074(c), the location and custodian of documents and materials related to the ND for the T6 Renovation project is the Los Angeles World Airports, Environmental Programs Group, 6053 W. Century Blvd., Suite 1050, Los Angeles, CA 90045. In addition, the issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions

thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18) (c) of the Los Angeles City CEQA Guidelines. And, the Terminal 5.5 (T5.5) Core project described above (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the City's CEQA Guidelines is exempt under Article II, Section 2 (i).

2. This proposed document(s) is/are subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606.
4. Alaska will comply with the provisions of the Living Wage/Worker Retention Ordinances
5. Leases are not subject to the SBE/LBE/LSBE/DVBE Programs.
6. Alaska will comply with the provisions of the Affirmative Action Program.
7. Alaska has been assigned Business Tax Registration Certificate number 0002604073-0001-9.
8. Alaska will comply with the provisions of the Child Support Obligations Ordinance.
9. Alaska has approved insurances, in the terms and amounts required, on file with Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractor).
11. Alaska has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and comply will with the provisions of Contractor Responsibility Program.
12. Alaska must be determined by the Public Works- Office of Contract Compliance to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the amendment.
13. Alaska will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of the Iran Contracting Act.

Attachments available at the webpage link below: 1) T6 Final Negative Declaration/Response to Comments, 2) T6 Initial Study/Draft Negative Declaration, 3) T6 ND Appendix A GHG, 4) T6 ND Appendix B Cultural, and 5) T6 ND Appendix C Traffic.

<https://www.lawa.org/lawa-our-lax/environmental-documents/current-projects/terminal-6-renovation-project>

TERMINAL MODERNIZATION SCOPE

