

**Report to the  
BOARD OF AIRPORT COMMISSIONERS**

Approver:



Dave Jones, Deputy Executive Director  
Commercial Development Division

Reviewer:

Hector Huezo for

Hector Huezo for (Oct 22, 2024 12:01 PDT)

Brian C. Ostler, City Attorney



John Ackerman, Chief Executive Officer

Meeting Date

11/7/2024

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	9/27/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	9/27/2024	<input checked="" type="checkbox"/> Y	VW
Procurement	10/8/2024	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	AF
Guest Experience	10/2/2024	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	10/7/2024	<input checked="" type="checkbox"/> Y	TZ

**SUBJECT**

Request to adopt the following report and approve and execute the Third Amendment to the Amended and Restated Premier Passenger Lounge Space Lease (LAA-8753) with Korean Air Lines Co. in Tom Bradley International Terminal at Los Angeles International Airport that will extend the term by five years for a total term of ten years. This will generate approximately \$5,800,000 million in revenue in the first year and approximately \$58,000,000 over the 10-year term, excluding annual rate adjustments.

**DISCUSSION**

**1. Purpose**

The proposed amendment will extend the term by five years, to December 31, 2033, and allow amortization of the Korean Air Lines Co. (Korean Air) \$28.8 million lounge refurbishment investment.

**2. Prior Related Actions/History of Board Actions**

• **December 17, 2012 – Resolution No. 24988 (LAA-8753)**

The Board of Airport Commissioners (Board) approved a Premier Passenger Lounge Space Lease with Korean Air in Tom Bradley International Terminal (TBIT).

• **October 19, 2023 – Resolution No. 27830 (LAA-8753B)**

The Board approved an Amended and Restated Premier Passenger Lounge Space Lease with Korean Air in TBIT at Los Angeles International Airport to allow for Korean

Air to continue to operate its premier passenger lounge for an additional five years and an option to expand its lounge by an additional 3,962 square feet. The term is set to expire on December 31, 2028.

### **3. Background**

In 2013, Los Angeles World Airports (LAWA) completed the modernization of TBIT, which included new areas for airline premium passenger lounges. In accordance with Lease LAA-8753, Korean Air completed construction and opened its new 14,208 square foot lounge on January 1, 2014.

### **4. Current Action/Rationale**

In March 2024, Korean Air exercised its option to lease the additional 3,962 square feet and proposed a \$28.8 million investment to completely renovate the current 14,208 square foot lounge and the new 3,962 square feet space. To support Korean Air's proposed renovation, LAWA staff propose to extend the lease to December 31, 2033, allowing appropriate depreciation of their investment. If Korean Air does not invest the full \$28.8 million, they will pay the difference to LAWA.

### **5. Fiscal Impact**

Approval of the proposed amendment will provide approximately \$5.8 million in revenue from the first full year following the commencement date and approximately \$58 million over the full 10-year term, excluding annual rate adjustments.

### **6. Alternatives Considered**

- ***Take No Action***

Taking no action would lead to a missed opportunity for planned lounge refurbishment enhancements to the Sky Team Lounge in TBIT. This would negatively impact the guest experience for airlines that serve premium passengers who anticipate this service.

## **APPROPRIATIONS**

No appropriation of funds is required for this action.

## **STANDARD PROVISIONS**

The Board is hereby requested to adopt the staff's determination that this item, involving 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.

The proposed document(s) is/are subject to approval as to form by the City Attorney.

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.