

RESOLUTION NO. 27763

WHEREAS, on recommendation of Management, there was presented for approval, Airline Passenger Lounge Space Lease and License Agreement with Societe Air France SA, for term of fifteen (15) years, with a five (5)-year extension option, covering space in the Tom Bradley International Terminal at Los Angeles International Airport; and

WHEREAS, when international traffic began recovering after the COVID-19 pandemic, Societe Air France SA (Air France) met with Los Angeles World Airports (LAWA) staff to request a new lease for a premium passenger lounge in the West Gates at Tom Bradley International Terminal to support its passengers, as well as provide a common use solution for other users of the facility. To support this, LAWA staff negotiated the new lease that will allow Air France to serve its passengers and allow other airlines and passengers to access the lounge on a pay-per-use basis; and

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Chief Executive Officer

WHEREAS, the lounge will be constructed as an Air France premium passenger lounge, with the primary use to serve Air France's and its affiliates' premium passengers. Air France has committed to 25% Minority/Women/Small Business Enterprise participation for construction and lounge operation. In addition, Air France will be allowed to accept passengers from affiliated airlines, various membership programs (including partner bank card holders), and passengers from non-affiliated airlines on a pay-per-use basis, through both business-to-business and business-to-customer channels. Said model provides Air France the opportunity to offset some operating costs during the initial ramp-up period and provides the West Gates airlines and passengers access to a lounge in the West Gates; and

WHEREAS, the lounge will be approximately 11,500 square feet, but the lease provides Air France the option to add an additional 2,300 square feet to the premises within six months of lease commencement. Air France will also have a right of first refusal for said space thereafter. If Air France takes the additional space, the demised premises will increase to approximately 13,800 square feet; and

WHEREAS, Air France will be required to secure all necessary permits and to construct the lounge improvements at its cost. The lease will be for 15 years, unless terminated early by LAWA, subject to subsequent approval by the Board of Airport Commissioners (Board) and buy-out of the verified depreciated value of the improvements. The lease also provides Air France with one five-year option to extend, subject to appropriate refurbishment of the lounge improvements; and

WHEREAS, pursuant to the lease, on the earlier of 12 months after execution or opening of the lounge, Air France will commence rental payments for the demised premises. It has the option to defer rental payments for six months by providing a written notice to LAWA no less than 60 days prior to the rent commencement date. If Air France chooses to defer rental payments, it will pay back the deferred rent amount in full, plus interest, at an annual rate of 6.5%, in equal payments over 10 years. Rent for the first operational year is estimated to be approximately \$2,800,000, and will adjust annually based on the Board-approved Terminal Building Rent rate; and

WHEREAS, Air France will also pay as additional rent 20% of all revenues over \$10,000,000 per year that are earned from sale of goods and services in the lounge and from pay-for-use access fees earned from all sources. In addition to actual revenue Air France collects directly from



passengers or other airlines, the threshold will include an assessment of \$35, as adjusted annually by Consumer Price Index (CPI), for each passenger that accesses the lounge at the invitation of Air France or its affiliates. The \$10,000,000 threshold was negotiated based on the capital and operating costs, including rent payments to LAWA, that Air France will incur to operate the facility; and

WHEREAS, all other standard lease terms apply. Following is a summary of the key elements of the lease:

Description	Terms
Commencement	upon approval by the Board and City Council
Term	15 years unless early termination by LAWA
Expiration	15 years unless terminated early by LAWA
Extension Option	5-year option to extend by Air France
Demised Premises	11,500 square feet with the option for additional 2,300 square feet
Permitted Use	premium passenger lounge
Construction Period	12 months from commencement
Rent Commencement	earlier of the opening of the lounge or 12 months from commencement
Base Rent	\$2,800,000 per year
Percentage Rent	20% of gross receipts of sale of goods and services
Concession Rent	the greater of 20% of lounge access fee or \$6 per passenger
Concessions & Percent Rent Threshold	\$10,000,000 annually, subject to CPI adjustment; and

WHEREAS, 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

WHEREAS, Air France will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

WHEREAS, Air France will comply with the provisions of the Affirmative Action Program; and

WHEREAS, Air France has been assigned Business Tax Registration Certificate 0002653453-0001-9; and

WHEREAS, Air France will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Air France has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, Air France must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of said program; and

WHEREAS, Air France must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the lease; and

WHEREAS, Air France will be required to comply with the provisions of the First Source Hiring Program for all non-trade Los Angeles International Airport jobs; and

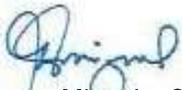
WHEREAS, Air France must submit the MLO CEC Form 55 prior to execution of the lease; and

WHEREAS, 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; approved the Airline Passenger Lounge Space Lease and License Agreement with Societe Air France SA, for term of fifteen (15) years, with a five (5)-year extension option, covering space in the Tom Bradley International Terminal at Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Airline Passenger Lounge Space Lease and License Agreement with Societe Air France SA after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27763 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 15, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS