



RESOLUTION NO. 26757

BE IT RESOLVED that, on recommendation of Management, the Board of Airport Commissioners approved the Amended & Restated Terminal Facility Lease & License Agreement LAA-8581 with Alaska Airlines, Inc. covering space in Terminal 6 at Los Angeles International Airport, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

LAX
Van Nuys
City of Los Angeles

BE IT FURTHER RESOLVED that the Board authorized the Chief Executive Officer, or designee, to execute said Amended & Restated Terminal Facility Lease & License Agreement LAA-8581 with Alaska Airlines, Inc. after approval as to form by the City Attorney and approval by the Los Angeles City Council; and

Eric Garcetti
Mayor

BE IT FURTHER RESOLVED that 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 categorically exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and

Board of Airport
Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

BE IT FURTHER RESOLVED that this action is subject to the provisions of Los Angeles City Charter Sections 606.

Gabriel L. Eshaghian
Beatrice C. Hsu
Nicholas P. Roxborough
Thomas S. Sayles
Dr. Cynthia A. Telles

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Deborah Flint
Chief Executive Officer

I hereby certify that this Resolution No. 26757 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Thursday, May 2, 2019.

Grace Miguel Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

14
Item Number

Approved by: Dave Jones – Airport Property and Concessions Services

Meeting Date:

5/2/2019

Reviewed by: Jeffrey Utterback – Deputy Director of Commercial Development

CAO Review:

Completed

Pending

N/A

Reviewed by: Timothy J. ...
City Attorney

Deborah Flint – Chief Executive Officer

<i>Reviewed for</i>	<i>Date</i>	<i>Approval Status</i>	<i>By</i>
Finance	3/4/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	2/28/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	JH
Procurement	3/19/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	2/28/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	2/28/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KV

SUBJECT: Approval of an Amended and Restated Terminal Facility Lease and License Agreement with Alaska Airlines, Inc. in Terminal 6 at Los Angeles International Airport

Approve the Amended and Restated Terminal Facility Lease and License Agreement with Alaska Airlines, Inc. for space in Terminal 6 at Los Angeles International Airport which will generate approximately \$23,000,000 in revenue the first year and an estimated \$196,000,000 over the term.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Amended and Restated Terminal Facility Lease and License Agreement with Alaska Airlines, Inc. for additional Space and Gates in Terminal 6 at Los Angeles International Airport.

4. AUTHORIZE the Chief Executive Officer or her designee to execute the proposed Amended and Restated 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

Consolidate space formerly occupied by Virgin America pursuant to Los Angeles International Airport Passenger Terminal Tariff (Tariff) into Alaska Airlines, Inc. (Alaska) premises and allow Alaska to propose terminal renovations to upgrade Terminal 6 at Los Angeles International Airport (LAX).

2. Prior Related Actions

- **April 4, 2011 – Board Resolution 24421**
The Board of Airport Commissioners (Board) approved a Reimbursement Agreement with Alaska Airlines, Inc. for up to 75% of approved design and construction cost associated with an inline Checked Baggage Inspection System (CBIS) Project in Terminal 6 at LAX. Concurrent with the Reimbursement Agreement, the Board approved a Settlement Agreement to settle finally and completely disputes in *LAX III*, and to enter into a new Terminal Space Lease and License Agreement with Alaska for space in Terminal 6 to accommodate terminal renovations including implementing a CBIS.
- **April 4, 2011 – Board Resolution 24422**
The Board approved a ten (10)-year Terminal Space Lease and License Agreement (Lease) Alaska LAA-8581 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 19, 2014 – Board Resolution 25415**
The Board approved a five-year Terminal Facilities Lease and License Agreement (LAA-8819 with Virgin for space located in Terminal 3 at LAX.
- **December 1, 2016 – Board Resolution 26117**
The Board approved the Consent to Assignment from Virgin to Alaska Air Group, Inc. and Alpine Acquisition Corporation covering Lease LAA-8819 and Non-Exclusive Air Carrier Operating Permit LAA-8745 in Terminal 3 at LAX; contingent upon the Department of Justice approval of the proposed merger.

3. Current Action

The proposed Amended and Restated Terminal Facility Lease and License Agreement (Amendment) will combine Virgin's former space with Alaska's leasehold space in Terminal 6 pursuant to Lease LAA-8581.

The Amendment will also extend the term and provide the opportunity for Alaska to earn an additional Preferential-Use Gate and up to five Preferential Flights, in addition to allowing

Alaska to propose certain improvements to Terminal 6, subject to all necessary approvals and subsequent Board action to approve funds.

The following table summarizes the key elements of the Lease and the proposed Amendment with Alaska.

LEASE SUMMARY		
Terms:	Original Lease:	Restated Lease:
Commencement Date:	June 24, 2011	Upon Board and Los Angeles City Council approval
Expiration Date:	March 31, 2022	January 1, 2028
Demised Premises:	67,410	102,675
Preferential Gates:	6	11*
Preferential Flights	0	5
Rent:		
Space Rental Rate	\$171.40 PSFPY	\$190.83 PSFPY
Annual Space Rent (est.):	\$11,554,100	\$23,000,000

*Includes four Preferential-Use Gates previously occupied by Virgin and one additional Preferential-Use Gate upon completion of gate re-gauge work.

Proposed Terminal 6 Improvements

Alaska and Los Angeles World Airport (LAWA) staff have initiated discussions on potential terminal improvements, including upgrading the Security Screening Check Point, improving hold room experience and regauging gate layout. The proposed Amendment provides that Alaska may propose a Defined Terminal Improvement Program (DTIP). Should Alaska submit a DTIP, LAWA staff will review. Upon approval of a DTIP by the Chief Executive Officer (CEO) and after receipt of all other necessary approvals, including environmental entitlements, LAWA staff will return to the Board to request a subsequent action to approve the purchase of the CEO approved DTIP projects, and appropriate funds to acquire such approved project components.

Proposed Amendment Terms:

Key components of the proposed Amendment include:

Term:

The terms of the proposed Amendment will commence on the first day of the month following Board and Los Angeles City Council approval and terminate on November 1, 2025, unless a Potential New Terminal Facility with at least 8 gates is operational or under construction (including demolition or other enabling work) by October 31, 2025, in which case the Lease shall terminate on January 1, 2028, unless terminated subject to the following early termination provisions.

- Rate Agreement – LAWA will have the option to terminate the Amendment on the expiration date of the Rate Agreement, which currently is December 31, 2022, by providing 180-day advance written notice and reimbursing Alaska the undepreciated value of any Alaska Renovations constructed pursuant to the CEO-approved DTIP pursuant to Section 1.1.2(d).
- Incomplete Improvements – If the Tenant does not complete the Improvements within three (3) years of Board approval of such projects following any environmental review required pursuant to the California Environmental Quality Act (“CEQA”) and/or the National Environmental Policy Act (“NEPA”), the Amendment shall terminate on November 1, 2025.

Premises:

- Upon the commencement date, Alaska will occupy airline space consisting of approximately 103,000 square feet.

Following completion of the terminal renovation program, the premises will be revised to reflect as-built conditions through revision of the proposed Lease premises exhibits, subject to City Attorney approval as to form, and approval by the Chief Executive Officer, Board, or City Council as required.

Rent:

Alaska has entered into a Rate Agreement with LAWA covering terminal rents at LAX. Alaska’s rent will be adjusted pursuant to the terms and conditions of the Rate Agreement while the Rate Agreement is in effect. The Lease will terminate if Alaska does not execute an extension to the Rate Agreement or a replacement Rate Agreement if offered by LAWA.

- Potential Projects – Alaska may submit DTIPs for potential improvements in order to secure the full Lease term. Staff will return to the Board for authority to acquire any additional improvements requested in future DTIP(s) that Alaska may submit.

CEQA/NEPA Review – Nothing in the Lease constitutes approval of any potential future project contemplated in the DTIP. Prior to the approval and initiation of construction of any potential future improvements, the proposed development program would undergo appropriate environmental review pursuant to CEQA and/or NEPA, recognizing that any significant impacts to environment identified in the review process may require changes to the potential future improvements and/or implementation of feasible mitigation measures, which would be applied as conditions of approval for the development program, and may also require consideration of feasible alternatives to the development program that could avoid or substantially reduce those significant impacts. Upon

completion of any review required by CEQA and/or NEPA, the Board would have the option of approving or denying the potential future improvements.

Preferential-Use Gates and Preferential Flights:

Alaska will retain its ten current Preferential-Use Gates in Terminal 6 subject to meeting utilization standards. In addition, Alaska will have the opportunity to earn one additional Preferential-Use Gates in T6 upon completion of gate re-gauge work, and if Alaska exceeds the average use of all airline Preferential-Use Gates at LAX, then Alaska may request and LAWA will assign up to five daily Alaska flights as Preferential Flights to Common-Use Gates in Terminal 6.

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 the Board approve and authorize the Chief Executive Officer to execute the proposed Amended and Restated Lease, subject to the approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

Fiscal Impact

Approval of the proposed Amendment will provide approximately \$23,000,000 in revenue from the first full year from execution and approximately \$196,000,000 through the term of the Lease.

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, leave Alaska's Tariff space (formerly occupied by Virgin) outside the lease, and will result in little improvement to the LAX passenger experience.

STANDARD PROVISIONS:

1. 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 categorically exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
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.