

RESOLUTION NO. 27760

WHEREAS, on recommendation of Management, there was presented for approval, Third Amendment to Terminal Facilities Lease and License Agreement LAA-8965 with Air Canada covering space in Terminal 6 at Los Angeles International Airport, to provide rent credits in an amount not to exceed \$154,000 for costs associated with use of the baggage system by common use airlines located in said terminal, to add language to update the lease provisions that govern use of preferential use gates, and to extend the term through December 31, 2027 to be co-terminus with the Alaska Airlines lease; and

**LAX**

**Van Nuys**

**City of Los Angeles**

Karen Bass  
Mayor

**Board of Airport  
Commissioners**

Beatrice C. Hsu  
President

Valeria C. Velasco  
Vice President

Vanessa Aramayo  
Matthew M. Johnson  
Nicholas P. Roxborough  
Karim Webb

Justin Erbacci  
Chief Executive Officer

WHEREAS, airlines operating at Los Angeles International Airport (LAX) pay for use of terminal facilities pursuant to the rates and charges methodology under the LAX Passenger Terminal Tariff approved by the Board of Airport Commissioners. Said methodology provides a square foot rate Terminal Building Charge for demised premises and sets common use rates for common use areas and equipment, such as common use check-in counters, baggage claim areas, outbound baggage systems, common use hold rooms and associated aeronautical equipment; and

WHEREAS, airlines that lease entire terminals at LAX pay for all terminal space in their lease at the square foot rate Terminal Building Charge, and therefore do not pay common use rates in their leaseholds, except when they use common use facilities in addition to their leasehold space. Los Angeles World Airports (LAWA) maintains the common use equipment at the Tom Bradley International Terminal, which is used by most common use airlines. However, there is a small amount of equipment that is used by common use airlines that operate from Terminal 6 and Terminal 1 that is currently maintained by Air Canada, Alaska Airlines, and Southwest Airlines. Therefore, common use airlines that operate in Terminal 6 and Terminal 1 pay some fees to LAWA and also pay fees to Air Canada, Alaska Airlines, or Southwest Airlines to cover costs they incur maintaining and operating parts of the baggage system equipment in said two terminals. Therefore, common use charges vary by terminal and common use airlines utilizing different terminal facilities pay different rates depending on the location where they operate; and

WHEREAS, LAWA's terminal rate structure intends that common use airlines will pay a uniform common use rate for use of terminal gates and common equipment, such as the baggage handling system, regardless of the terminal in which they operate. To establish a uniform common use rate, LAWA proposed to transfer all costs for maintaining common use equipment to LAWA. To accomplish this, LAWA proposed to simultaneously amend the Air Canada lease, the Alaska Airlines lease, and the Southwest Airlines lease in order to provide rent credits equal to the costs they incur operating and maintaining the common use portions of the baggage system in Terminal 6 and Terminal 1. As a result, the common use airlines will pay LAWA the full common use charge and no longer pay Air Canada, Alaska Airlines, and Southwest Airlines a portion of the common use fee; and

WHEREAS, to confirm the cost that needs to be transferred to LAWA, at the beginning of each fiscal year, Air Canada, Alaska Airlines, and Southwest Airlines will submit to LAWA the annual budget to operate and maintain their respective baggage handling systems. Allowable costs will include all fees incurred operating and maintaining the system, the cost to lease the baggage handling space, and overhead costs (not to exceed 10%). LAWA will review and approve the operations and maintenance budgets and determine the amount attributable to common use fees. Based on that calculation, LAWA will issue annual rent credits in 12 monthly installments to Air Canada, Alaska Airlines, and Southwest Airlines. LAWA will annually reconcile actual costs



against the annual budget costs. Any variance between budget and actual expenditures will be corrected the following year through adjustment to the annual rent credit LAWA provides to those airlines; and

WHEREAS, based on the specific equipment maintained by Air Canada, LAWA and said airline estimate the total rent credits needed to cover the cost incurred by common use airlines over the term of the lease will be \$154,000. Therefore, the Third Amendment will provide up to \$154,000 in rent credits to Air Canada. It is a critical component for LAWA to implement a single common use gate charge at LAX; and

WHEREAS, the Third Amendment will also extend the Air Canada lease term through December 31, 2027, to be co-terminus with the Alaska Airlines lease, thereby aligning the contracts for maintenance of the baggage system between Air Canada and Alaska Airlines that will provide consistency for calculating the rent credits; and

WHEREAS, the Third Amendment will also update standards for Air Canada's use of preferential use gates. All airlines with leases at LAX have preferential gates. To maintain effective use of the gates, the leases set a standard use requirement that airlines must achieve to retain their preferential use gate status. The standard used is the Minimum Utilization Requirement (MUR). The original MUR language was drafted in the late 2000s, and LAWA has updated the language to clarify when and how the MUR is set and to simplify the actions necessary if an airline falls below the required performance levels. LAWA will update the MUR language in exchange for airline requests for an extension of term or other benefit; and

WHEREAS, therefore, as the Air Canada's lease is being extended by 4.5 years, the Third Amendment will include the new MUR language. However, because Air Canada is the first airline to accept the new MUR language, the new MUR will not be effective until at least one other airline amends its lease to include the new standard; 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. In addition, pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines, continuing administrative, maintenance and personnel-related activities are also exempt; and

WHEREAS, Air Canada is required to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

WHEREAS, Air Canada is required to comply with the provisions of the Affirmative Action Program; and

WHEREAS, Air Canada has been assigned Business Tax Registration Certificate 0002762201-0001-0; and

WHEREAS, Air Canada is required to comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Air Canada must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to execution of the Third Amendment; and

WHEREAS, Air Canada has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of said program; and

WHEREAS, Air Canada has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance; and


WHEREAS, Air Canada will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; 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 II, Section 2.f and Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; approved the Third Amendment to Terminal Facilities Lease and License Agreement LAA-8965 with Air Canada covering space in Terminal 6 at Los Angeles International Airport, to provide rent credits in an amount not to exceed \$154,000 for costs associated with use of the baggage system by common use airlines located in said terminal, to add language to update the lease provisions that govern use of preferential use gates, and to extend the term through December 31, 2027 to be co-terminus with the Alaska Airlines lease; further approved the authority to issue rent credits in an amount not to exceed \$154,000 over the remaining term of said agreement; and authorized the Chief Executive Officer, or designee, to execute said Third Amendment to Terminal Facilities Lease and License Agreement LAA-8965 with Air Canada after approval as to form by the City Attorney and approval by the Los Angeles City Council.

oOo

I hereby certify that this Resolution No. 27760 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 15, 2023.

A handwritten signature in blue ink, appearing to read "Grace Miguel".

Grace Miguel – Secretary  
BOARD OF AIRPORT COMMISSIONERS