

RESOLUTION NO. 27762

WHEREAS, on recommendation of Management, there was presented for approval, Fourth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Company covering space in Terminal 1 at Los Angeles International Airport, to provide rent credits in an amount not to exceed \$6,393,000 over the lease term for costs associated with use of the baggage system located in said terminal that benefits the common use airlines at the airport; and

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

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President

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Vice President

Vanessa Aramayo
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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 Company (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 Southwest Airlines, 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 \$6,393,000. Therefore, the Fourth Amendment will provide up to \$6,393,000 in rent credits to Southwest Airlines through June 30, 2024. It is a critical component for LAWA to implement a single common use gate charge at LAX; 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, this item, as a continuing administrative, maintenance and personnel-related activity, is administratively exempt from CEQA requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; and

WHEREAS, Southwest Airlines is required by contract to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

WHEREAS, Southwest Airlines is required by contract to comply with the provisions of the Affirmative Action Program; and

WHEREAS, Southwest Airlines is required by contract to comply with the provisions of the Child Support Obligations Ordinance; and

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

WHEREAS, Southwest Airlines has submitted the Contractor Responsibility Program Pledge of Compliance, and will comply with the provisions of said program; and

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

WHEREAS, Southwest Airlines 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 Fourth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Company covering space in Terminal 1 at Los Angeles International Airport, to provide rent credits in an amount not to exceed \$6,393,000 over the lease term for costs associated with use of the baggage system located in said terminal that benefits the common use airlines at the airport; further approved the authority to issue rent credits in an amount not to exceed \$6,393,000 over the remaining term of said agreement; and authorized the Chief Executive Officer, or designee, to execute said Fourth Amendment to

Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Company 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. 27762 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", is positioned above the printed name.

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS