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Item #
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Report to the BOARD OF AIRPORT COMMISSIONERS

Approver: 
Dave Jones, Deputy Executive Director
Commercial Development Division

Reviewer: 
Brian C. Ostler, City Attorney


John Ackerman, Chief Executive Officer

Meeting Date

7/18/2024

Needs Council Approval: Y

| Reviewed for/by | Date | Approval Status | By |
|--------------------|-----------|---|-----|
| Finance | 5/17/2024 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> NA | JS |
| CEQA | 5/31/2024 | <input checked="" type="checkbox"/> Y | MO |
| Procurement | 5/22/2024 | <input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond | BB |
| Guest Experience | 5/21/2024 | <input checked="" type="checkbox"/> Y | TB |
| Strategic Planning | 5/16/2024 | <input checked="" type="checkbox"/> Y | BNZ |

SUBJECT

Request for approval of the proposed Premier Passenger Lounge Space Lease with Virgin Atlantic Airways Limited in Tom Bradley International Terminal at Los Angeles International Airport, for term of five years, with a five-year extension option, that will generate approximately \$1,200,000 in revenue in the first year and approximately \$6,000,000 over the initial five-year term, excluding annual rate adjustments.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (1) and Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Premier Passenger Lounge Space Lease with Virgin Atlantic Airways Limited in Tom Bradley International Terminal at Los Angeles International Airport.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed lease after approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Approval of the proposed lease with Virgin Atlantic Airways Limited (Virgin) in the Tom Bradley International Terminal (TBIT) at Los Angeles International Airport (LAX) will allow for Virgin to refurbish and operate a lounge for its premium passengers.

2. Prior Related Actions/History of Board Actions

- None.

3. Background

The subject lounge has been vacant since November 2021 when the prior occupant ceased operations at LAX due to the COVID-19 pandemic. To plan for future leasing of the TBIT lounge spaces, in July 2022, Los Angeles World Airports (LAWA) staff released an Expression of Interest (EOI) to determine interest in leasing existing vacant lounge spaces. Virgin was the only respondent and requested to lease the 4,401 square foot lounge space.

4. Current Action/Rationale

The proposed lease has a five-year term, with one five-year option. Virgin must refurbish the demised premises at an estimated cost of approximately \$2 million during the first five months after execution of the lease, at which time the rent will commence.

The lounge may only be used to serve Virgin and its affiliated airlines' premium passengers, as well as passengers from approved membership programs, including partner bank card holders. Virgin must secure prior approval by the LAWA Chief Executive Officer to adjust the users that may access the lounge. If Virgin secures approval to adjust user access, the user fee would also provide similar per-passenger revenue to LAWA as other airline leases, as adjusted annually by the CPI.

Virgin will pay base rent at Board of Airport Commissioners-approved rates and pay concession fees from 20 percent of all revenues earned from the sale of goods and services in the lounge, and from fees collected from pay-per-use passengers accessing the lounge.

5. Fiscal Impact

Approval of the proposed lease will provide approximately \$1.2 million in revenue in the first full year and approximately \$6 million over the five-year term, excluding annual rate adjustments.

6. Alternatives Considered

- **Take No Action**

Taking no action is not recommended. Not executing the proposed lease would result in the space continuing to be vacant, eliminating new lounge revenue to LAWA and

preventing the opportunity of a highly desired new premier passenger lounge amenity in TBIT.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

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.