

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 10, 2024

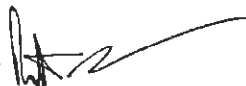
CAO File No. 0150-00939-0128

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer



Reference: Correspondence from the Los Angeles World Airports Board of Airport Commissioners (Board) dated June 13, 2024 and July 1, 2024; referred by the Mayor for a report on June 20, 2024

Subject: **RESOLUTION NO. 27958 AND PROPOSED FIFTH AMENDMENT TO EXTEND SOUTHWEST AIRLINES' TERMINAL FACILITY LEASE AND LICENSE AGREEMENT LAA-8757 IN TERMINAL 1 FOR CONCOURSE 0 PLANNING AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Board Resolution No. 27958 authorizing a proposed Fifth Amendment to Terminal Facility Lease and License Agreement LAA-8757 with Southwest Airlines, extending the term by one year, to June 30, 2025, resulting in \$52.1 million in annual revenue, enabling Southwest Airlines additional time to complete planning work on the Concourse 0 project;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the July 1, 2024 Board of Airport Commissioners (Board) Resolution 27958, that this action is exempt from the CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and
3. Authorize the LAWA Chief Executive Officer, or designee, to execute the proposed Fifth Amendment to Terminal Facility Lease and License Agreement LAA-8757 with Southwest Airlines, upon approval as to form by the City Attorney and approval by the Council.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (Board) requested approval of its July 1, 2024 Resolution 27958 authorizing a proposed Fifth Amendment to Terminal Facility Lease and License Agreement LAA-8757 (known as "T1 Lease") with Southwest Airlines (hereinafter referred to as "SWA"). The amendment extends the existing 11-year, three-month

lease by one year, retroactive from July 1, 2024 to June 30, 2025, for SWA's leased space in Terminal 1 (T1) at Los Angeles International Airport (LAX). The T1 Lease was originally approved on January 14, 2013 (Resolution No. 25009) and expired on June 30, 2024.

The Department requests a one-year extension of the T1 Lease to allow SWA additional time to complete the planning work on the Concourse 0 (C0) project. Given that the project is immediately adjacent to T1, construction efforts will affect SWA's T1 Lease premises.

The one-year lease extension will provide up to \$52.1 million to LAWA in revenue from Terminal Buildings Rent.

The underlying T1 Lease has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds five years. Our Office has reviewed the request and recommends approval.

BACKGROUND

SWA occupies space at LAX in T1 under conditions of Terminal Facilities Lease and License Agreement LAA-8757, which was initially approved by the Board on January 14, 2013, adopted by the Council on March 6, 2013 (C.F. 13-0171), and executed by LAWA on March 13, 2013. From the execution date of the agreement through the Fourth Amendment (Resolution 27762), the Board authorized a series of amendments to modify the agreement. These modifications included amending and expanding a list of renovations, increasing SWA's leasehold, and providing rent credits for costs associated with the use of the Baggage Claim System in T1. The lease expired on June 30, 2024.

On September 26, 2023, the Council approved a separate ground lease (LAA-9213) with SWA (C.F. 23-0987) for up to 30 years to construct Concourse 0, a new passenger facility adjacent to T1. This expansion will allow SWA to enhance its air transportation services, initiate international flights, and generate new revenue opportunities.

Concourse 0 and T1 Connectivity – The new concourse will merge with T1 and cover approximately 702,750 square feet at the northeast corner of the Central Terminal Area. Passengers using the new facility must be processed through T1 before entering C0's boarding gates, as the new facility lacks independent baggage processing, ticket counters, and passenger screening. Consequently, C0 requires connectivity with T1 to connect passengers to their flights.

On June 13, 2024 and July 1, 2024, the Board approved a LAWA staff report and Resolution 27958 requesting authority to execute a proposed Fifth Amendment to extend the T1 Lease by one year, retroactive to July 1, 2024 through June 30, 2025, to allow SWA sufficient time to complete planning work related to Concourse 0.

Project Planning and Timeline – The proposed Fifth Amendment is essential for providing the necessary time for LAWA and SWA to engage in negotiations and finalize the details of the C0

project. The planning work for the new facility involves:

- Defining the project scope
- Determining the final lease terms
- Establishing the maximum project cost
- Developing SWA's financing plan
- Arranging LAWA's delivery of three additional LAX sites to SWA

While LAWA has not set a specific timeline for completing the planning work, the Department confirmed the final scope determination is on schedule and will be made within the 18-month period allotted by the initial phase of the C0 Lease. With the C0 Lease executed on October 2, 2023, LAWA and SWA have until April 2, 2025 to finalize the project's full scope. This amendment ensures that both LAWA and SWA have the opportunity to thoroughly assess the project and address potential impacts on the T1 Lease premises.

Revenue Impact – LAWA's Terminal Buildings Rent collection averaged \$45.9 million annually from fiscal years 2022 to 2024, totaling \$137.8 million. Approving the proposed Fifth Amendment to extend the lease for one year is projected to increase LAWA's revenue by up to \$52.1 million.

Except as proposed in this amendment, all other terms and conditions of the T1 Lease agreement shall remain unchanged.

CITY COMPLIANCE

Small Business Enterprise (SBE), Local Business Enterprise (LBE), Local Small Business Enterprise (LSBE), and Disabled Veterans Business Enterprise (DVBE) Participation - The Department indicates that the City's SBE/LBE/LSBE/DVBE program participation requirements are not applicable to leases.

Charter Section 1022 – The Department has determined that lease agreements are not subject to the provisions of Charter Section 1022 on the use of independent contractors.

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

The proposed lease agreement includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. The proposed lease will be executed upon approval as to form by the City Attorney and approved by the Council. In accordance with Charter Section 606 and Administrative Code Section 10.5(c), the Agreement requires Council approval because the total term of the Agreement exceeds five years. Our Office recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed lease between the Los Angeles World Airports and Southwest Airlines at Los Angeles International Airport will result in annual rent revenue to LAWA of approximately \$52.1 million during the one-year extended term of the lease (excluding automatic annual rental rate adjustments). The lease revenue will be deposited into the Los Angeles World Airports Revenue Fund – Terminal Building Rental Account. The recommendations in this report comply with the Los Angeles World Airports' adopted Financial Policies. Approval of the proposed lease agreement will have no impact on the City's General Fund.

Attachment 1 – June 13, 2024 BOAC Report and July 1, 2024 Resolution No. 27958

MWS/PJH/BC/JVW:DLG:10250006

June 20, 2024

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez, Legislative Coordinator
ATTN: Thomas Arechiga, Deputy Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Karim Webb
President

Matthew M. Johnson
Vice President

Vanessa Aramayo
Courtney La Bau
Victor Narro
Nicholas P. Roxborough
Valeria C. Velasco

John Ackerman
Chief Executive Officer

RE: Request to approve the proposed Fifth Amendment to the Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve the proposed Fifth Amendment to the Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines to extend the term by one year to June 30, 2025, covering space in Terminal 1 at Los Angeles International Airport.

City Council approval is required pursuant to Section 606 of the Los Angeles City Charter.

Sincerely,



Becca Doten
Chief of Staff

BD:MSA:ksf





Item Number
7

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

Dave Jones, Deputy Executive Director
Commercial Development Division

Reviewer:

Hector Huevo (Jun 7, 2024 12:57 PDT)

Brian C. Ostler, City Attorney

John Ackerman, Chief Executive Officer

Meeting Date

6/13/2024

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	3/26/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	3/20/2024	<input checked="" type="checkbox"/> Y	MD
Procurement	3/26/2024	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	BG
Guest Experience	3/26/2024	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	3/19/2024	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to approve the proposed Fifth Amendment to the Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines to extend the term by one year to June 30, 2025, covering space in Terminal 1 at Los Angeles International Airport

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 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed Fifth Amendment to Terminal Facility Lease and License Agreement LAA-8757, after approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

The proposed Fifth Amendment to the Terminal Facilities Lease and License Agreement with Southwest Airlines (T1 Lease) will extend the term by one year to June 30, 2025. The proposed extension provides additional time to complete planning work on the Concourse 0 (C0) project which will have impacts on the T1 Leased facilities.

2. Prior Related Actions/History of Board Actions

- **January 14, 2013 – Resolution No. 25009 (LAA-8757)**

The Board of Airport Commissioners (Board) approved an eleven-year three-month T1 Lease that contemplated approximately \$400 million in terminal renovations to be constructed by Southwest and obligated Los Angeles World Airports (LAWA) to acquire \$384 million of these improvements through cash purchase and rent credits upon completion.

- **April 2, 2013 – Resolution No. 25077 (LAA-8757)**

The Board authorized the Chief Executive Officer (CEO) to exercise the option to purchase from Southwest instead of issuing rent credits for certain renovations in accordance with the Lease, and approved appropriation of \$147 million from the Los Angeles International Airport (LAX) Revenue Fund.

- **May 19, 2014 – Resolution No. 25414 (LAA-8757A)**

The Board approved the First Amendment to the T1 Lease to increase the acquisition of renovations from \$384 million to \$509.8 million because of an increase in the scope of work.

- **July 13, 2017 – Resolution No. 26289 (LAA-8757B)**

The Board approved the Second Amendment to the Lease to adjust Southwest's demised premises.

- **April 16, 2020 – Resolution No. 27006 (LAA-8757C)**

The Board authorized the CEO to temporarily defer terminal rents for the months of April and May 2020 for six months due to the outbreak of COVID-19 at the end of December 2019.

- **April 11, 2023 – Resolution No. 27716 (LAA-9213)**

The Board authorized the CEO to approve a Ground Lease with Southwest for approximately 702,750 square feet of land at the northeast corner of the Central Terminal Area immediately adjacent to Terminal 1 at LAX, with a term of up to 30 years, to allow for development and operation of C0, a new passenger concourse facility.

- **June 15, 2023 – Resolution No. 27762 (LAA-8757-D)**

The Board authorized the CEO to provide rent credits not to exceed \$6.4 million over the remaining term of the lease for costs associated with use of the baggage system located in Terminal 1 that benefits the common use airlines.

3. Background

On April 11, 2023, the Board approved a Ground Lease to allow Southwest to develop and operate C0 on land immediately adjacent to Terminal 1. Concourse 0 will be dependent on the existing passenger and baggage processing infrastructure in Terminal 1, which Southwest currently leases. The construction to connect C0 to Terminal 1 will impact Southwest's existing T1 Lease premises.

The C0 Ground Lease allows 18-months for LAWA and Southwest to negotiate and determine the final scope of the C0 project and the impacts to the T1 Lease premises. Upon completion of the C0 final scope, LAWA staff will present the C0 Final Terms Lease Amendment to the Board for approval.

4. Current Action/Rationale

Full execution of the C0 Lease did not occur until October 2, 2023. Therefore, the 18-month period that the C0 Lease provides to finalize the C0 project and execute the necessary amendments to the C0 and T1 leases runs through April 2, 2025. Since the current term of the T1 Lease expires on June 30, 2024, LAWA and Southwest staff propose to extend the current T1 Lease by one year through June 30, 2025, to provide appropriate time to complete work contemplated in the C0 Lease.

5. Fiscal Impact

The proposed Fifth Amendment to the T1 Lease will result in annual Terminal Buildings Rent of \$52.1 million for the proposed one-year lease extension, excluding rent escalation.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended because the C0 Lease contemplated an 18-month period to finalize the scope and cost of the C-0 project. Therefore, the T1 Lease should be extended to allow the time needed.

APPROPRIATIONS

No appropriation of funds is required for this action.

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 exempt from California Environmental Quality Act (CEQA)

requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.

2. The 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. Southwest Airlines Company is required by contract to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. Small Business Enterprise Program does not apply to leases.
6. Southwest Airlines Company is required by contract to comply with the provisions of the Affirmative Action Program.
7. Southwest Airlines Company is not required to obtain a Business Tax Registration Certificate for this Lease Amendment.
8. Southwest Airlines Company is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Southwest Airlines Company must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the Lease Amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Southwest Airlines Company has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Southwest Airlines Company has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. Southwest Airlines Company will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. This action is not subject to the provisions of the Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of the MLO Bidder Contributions CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.

June 26, 2024

The Honorable City Council
of the City of Los Angeles
(via email)

Subject: Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co.

Enclosed for your consideration is the Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co. that was approved by the Board of Airport Commissioners at its June 13, 2024 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Karim Webb
President

Matthew M. Johnson
Vice President

Vanessa Aramayo
Courtney La Bau
Victor Narro
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Valeria C. Velasco

John Ackerman
Chief Executive Officer

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board 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; and
2. Approve the Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co. to extend the term through June 30, 2025, covering space in Terminal 1 at Los Angeles International Airport; and
3. Concur with said Board's action on June 13, 2024, by Resolution 27953, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co.

This document and its attachments are advisory only and do not constitute a complete and official submittal to the City Council. The official submittal, including this document and its attachments, will be submitted electronically to the City Council and the Council File Management System pursuant to Charter Section 606 via the City Clerk's website when the file is complete.

Very truly yours,



Grace Miguel, Commission Executive Assistant II
Board of Airport Commissioners Office
Los Angeles World Airports

Enclosures

cc: CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file



RESOLUTION NO. 27953

WHEREAS, on recommendation of Management, there was presented for approval, Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co. to extend the term through June 30, 2025, covering space in Terminal 1 at Los Angeles International Airport; and

WHEREAS, said Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co. (Southwest) covering space in Terminal 1 (herein referred to as T1 Lease) was approved by the Board of Airport Commissioners (Board) in 2013, by Resolution 25009; and

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John Ackerman
Chief Executive Officer

WHEREAS, in April 2023, by Resolution 27716, the Board approved a ground lease (LAA-9213) to allow Southwest to develop and operate Concourse 0 on land immediately adjacent to Terminal 1 (herein referred to as the C0 Lease). Concourse 0 will be dependent on the existing passenger and baggage processing infrastructure in Terminal 1, which Southwest currently leases. The construction to connect Concourse 0 to Terminal 1 will impact Southwest's existing T1 Lease premises; and

WHEREAS, the C0 Lease allows eighteen (18) months for Los Angeles World Airports (LAWA) and Southwest to negotiate and determine the final scope of the Concourse 0 project and the impacts to the T1 Lease premises. Upon completion of the Concourse 0 final scope, LAWA staff will present the Concourse 0 Final Terms Lease Amendment to the Board for approval; and

WHEREAS, full execution of the C0 Lease did not occur until October 2, 2023. Therefore, the eighteen (18)-month period that the C0 Lease provides to finalize the Concourse 0 project and execute the necessary amendments to the C0 Lease and the T1 Lease runs through April 2, 2025. Since the current term of the T1 Lease expires on June 30, 2024, the Fifth Amendment to extend the T1 Lease by one (1) year through June 30, 2025 will provide appropriate time to complete work contemplated in the C0 Lease; and

WHEREAS, the Fifth Amendment to the T1 Lease will result in annual Terminal Buildings Rent of \$52.1 million for the one (1)-year lease extension, excluding rent escalation; 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, Southwest is required by contract to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

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

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

WHEREAS, Southwest must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to execution of the lease amendment; and



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

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

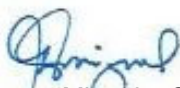
WHEREAS, Southwest will be required to comply with the provisions of the First Source Hiring Program for all non-trade Los Angeles International Airport jobs; and

WHEREAS, 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 California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; approved the Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines Co. to extend the term through June 30, 2025, covering space in Terminal 1 at Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Fifth Amendment to Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines after approval by the Los Angeles City Council and approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 27953 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Thursday, June 13, 2024.

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

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

FIFTH AMENDMENT TO THE TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT

THIS FIFTH AMENDMENT TO THE TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT (this “Fifth Amendment”) is made as of _____, 2024 (“Execution Date”) between the CITY OF LOS ANGELES, acting by and through the Board of Airport Commissioners of its Department of Airports, as landlord and licensor (the “Landlord”), and SOUTHWEST AIRLINES CO., as tenant and licensee (the “Tenant”) and shall be effective on the last day of the month following Los Angeles City Council approval of this Fifth Amendment.

RECITALS

WHEREAS, the Tenant and the Landlord entered into that certain Terminal Facilities Lease and License Agreement dated March 13, 2013 (LAA-8757), as amended (the “Southwest Lease”); and

WHEREAS, the Tenant and the Landlord wish to, among other things, extend the current term, clarify gate Minimum Utilization Requirements (MUR) and recapture provisions, and acknowledge the future adoption of new, Airport-Wide Scheduling Protocols governing Common-Use Gates and Preferential-Use Gates at the Airport.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Fifth Amendment, the Landlord and the Tenant agree with each other as follows (certain terms used in this Fifth Amendment and not defined elsewhere in the text of this Fifth Amendment, are used with the meanings specified in the Southwest Lease):

AGREEMENT

1. The phrase “June 30, 2024” in Section 1.1.1 of the Southwest Lease shall be replaced with the phrase “June 30, 2025.”

2. The following paragraph shall be added at the end of Section 19.3.1 of the Southwest Lease as follows:

“ As of the Execution Date of the Fifth Amendment, the Tenant acknowledges that, pursuant to this Section 19.3 of the Lease, the Landlord intends to adopt new, Airport-Wide Scheduling Protocols governing Common-Use Gates and Preferential-Use Gates at the Airport and that such Airport-Wide Scheduling Protocols, when issued, will supersede all other gate use protocols at the Airport including the T1 Scheduling Protocols, TBIT scheduling protocols and MSC (also known as Bradley West Gates) scheduling protocols. However, the Landlord acknowledges that, until the Lease is amended to incorporate the new Airport-Wide Scheduling Protocols, where there is a conflict, the current Airport-Wide Scheduling Protocols will continue to be subordinate to the Lease.

The Landlord anticipates that the new Airport-Wide Scheduling Protocols will contain the provisions in substantially the form attached to the Fifth Amendment as Exhibit E-1 which will require Airlines seeking to make material changes to their existing leases to provide Landlord with the accommodation rights on Preferential Use Gates specified in Exhibit E-1.

The Tenant agrees that if any Airline other than the Tenant enters into or amends its lease with Landlord to include the provisions in Exhibit E-1, that the Tenant and Landlord will immediately amend this Lease to implement the accommodation rights in Exhibit E-1.

Notwithstanding the above, the Tenant agrees that if the term of this Lease is extended, the Tenant and the Landlord shall immediately amend the Lease to implement the accommodation rights in Exhibit E-1.”

3. The Tenant acknowledges that, pursuant to Section 19.3 of the Southwest Lease, the Landlord is in the process of revising the Minimum Utilization Requirement, Minimum Performance Standards and the provisions related to recapturing underutilized Preferential-Use Gates (the “MUR/Recapture Modifications”). The Landlord will require all Airlines leasing Preferential-Use Gates at the Airport to incorporate the MUR/Recapture Modifications as a condition of any lease amendment. The Tenant agrees that the next amendment to the Southwest Lease shall incorporate the MUR/Recapture Modifications.

4. Section 22.8.2 of the Southwest Lease shall be renumbered as Section 22.8.3, and reference to Section 22.8.2 in subsection (e) therein shall all be amended to state Section 22.8.3.

5. Section 22.8.1 of the Southwest Lease shall be renumbered as Section 22.8.2, and reference to Section 22.8.1 in subsection (a) therein shall all be amended to state Section 22.8.2.

6. A new Section 22.8.1 shall be added before Section 22.8.2 of the Southwest Lease as follows:

“22.8.1. Civil Rights – General; Civil Rights – Title VI Assurances - 49 CFR § 21.7 (a)(1); 49 CFR Part 21 Appendix C (b); and as amended or interpreted from time to time.

(a) Civil Rights – General – 49 USC § 47123, derived from the Airport and Airway Improvement Act of 1982, Section 520. In all its activities within the scope of its airport program, the Tenant agrees to comply with pertinent statutes, Executive Orders, and such rules as identified in Title VI List of Pertinent Nondiscrimination Acts and Authorities to ensure that no person shall, on the grounds of race, color, national origin (including limited English proficiency), creed, sex (including sexual orientation and gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance.

This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

(i) The above provision binds the Tenant and sublessees from the bid solicitation period through the completion of the Lease. If the Tenant transfers its obligation to another, the transferee is obligated in the same manner as the Tenant. The above provision obligates the Tenant for the period during which the property is owned, used or possessed by the Tenant and the airport remains obligated to the Federal Aviation Administration.

(b) Civil Rights – Title VI Assurances – 49 USC § 47123, FAA Order 1400.11, and U.S. Department of Transportation Order DOT 1050.2, Standard Title VI Assurances and Nondiscrimination Provisions, effective April 24, 2013. The Tenant further agrees to comply with all applicable US DOT Standard Title VI/Non-Discrimination, set forth in Exhibit M, attached hereto and made a material term of this Lease, as such requirements may be amended or interpreted by the FAA or the United States Department of Transportation from time to time; specifically, the following clauses as provided in Exhibit M:

- (i) Title VI List of Pertinent Nondiscrimination Acts and Authorities
- (ii) Compliance with Nondiscrimination Requirements
- (iii) Transfer of Real Property Acquired or Improved Under the Airport Improvement Program
- (iv) Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program

(c) Audit of Subcontracts. The Landlord may conduct a review of the Tenant's compliance with this Subsection 22.8.1. The Tenant must cooperate with the Landlord throughout the review process by supplying all requested information and documentation to the Landlord, making the Tenant staff and officials available for meetings as requested, and correcting any areas of non-compliance as determined by the Landlord.

(d) The Tenant agrees that it shall insert the provisions found in Subsections 22.8.1(a) and 22.8.1(b), inclusive of Exhibit M in whole, in any solicitation, subcontract, sublease, assignment, license, transfer, or permit, or other instrument, by which said Tenant grants a right or privilege to any person, firm, or corporation under this Lease.”

7. A new Exhibit M, attached hereto, shall be added to the Southwest Lease, and shall be incorporated therein by reference.

8. The following definition shall be added to Section 24 of the Southwest Lease:

“Execution Date of the Fifth Amendment” shall mean the Execution Date as defined in the Fifth Amendment to the Terminal Facilities Lease and License Agreement between the Tenant and the Landlord (LAA-8757E).”

9. Miscellaneous.

9.1. It is understood and agreed by and between the parties that, except as specifically provided herein, this Fifth Amendment shall not, in any manner, alter, change, modify or affect any of the rights, privileges, duties or obligations of either of the parties under the Southwest Lease and except as expressly amended herein, all of the terms, covenants and conditions of the Southwest Lease shall remain in full force and effect.

9.2. This Fifth Amendment shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

9.3. This Fifth Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one amendment, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Fifth Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this amendment had been delivered that had been signed using a handwritten signature. All parties to this Fifth Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Fifth Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Fifth Amendment based on the foregoing forms of signature. If this Fifth Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“E-SIGN”) and the California Uniform Electronic Transactions Act (“UETA”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

[signature page follows]

IN WITNESS WHEREOF, the Landlord and the Tenant have respectively executed this Fifth Amendment as of the day and year first above written.

APPROVED AS TO FORM:

Hydee Feldstein Soto
City Attorney

Date: _____

By: _____
Deputy/Assistant City Attorney


LANDLORD:

CITY OF LOS ANGELES

By signing below, the signatory attests that they have no personal, financial, beneficial, or familial interest in this Fifth Amendment.

By: _____
Chief Executive Officer
Department of Airports

ATTEST:

By: 
Name: Twyla Jones
Title: Sr. Lease Associate

TENANT:

SOUTHWEST AIRLINES CO.


By: 
Name: Mark Shaw
Title: EVP & Chief Legal & Regulatory Officer

EXHIBIT E-1

1.1. Landlord's Right to Schedule Flights on Preferential-Use Gates.

1.1.1. Scheduling Priority on Preferential-Use Gates and Landlord's Right to Accommodate Requesting Airlines. Tenant shall have scheduling priority on all of its Preferential-Use Gates for all of its Active Periods with respect to its Scheduled Operations, subject to the terms of this Section 1.1. Landlord shall have the right to schedule at Tenant's Preferential-Use Gates the Scheduled Operations of a Requesting Airline during any Non-Active Periods in accordance with the procedures in this Section 1.1.

1.1.2. Submission of Seasonal Schedules.

1.1.2.1. Tenant shall submit to Landlord Initial and Final Seasonal Schedules in a format specified by the CEO.

1.1.2.2. Notwithstanding anything to the contrary set forth in this Lease, Tenant shall have a scheduling priority for Active Periods at its Preferential-Use Gates with respect to a Scheduled Operation only if Tenant has submitted Initial and Final Seasonal Schedules that include the Scheduled Operation.

1.1.3. Form and Timing of Request for Accommodation. At least sixty (60) days prior to commencing a flight that a Requesting Airline cannot accommodate on its own Preferential-Use Gates, if any, a Requesting Airline shall submit a written request to Landlord with the following information: name of airline, type of aircraft, number of Seats on the aircraft, desired time of day and day of week for the flight and whether the flight requires access to FIS Areas.

1.1.4. Selection of the Gate for Accommodation.

1.1.4.1. If a Common-Use Gate is available to, in Landlord's sole judgment, reasonably accommodate the Requesting Airline's flight, Landlord will accommodate the flight on a Common-Use Gate.

1.1.4.2. If Landlord determines that a Common-Use Gate is not available to accommodate the requested flight, Landlord may seek to work with the Requesting Airline to identify an alternative time or day (as applicable) to accommodate the request on a Common-Use Gate.

1.1.4.3. If an accommodation is not reached with the Requesting Airline pursuant to Section 1.1.4.2, Landlord will determine, based on Final Seasonal Schedules in effect at the time Landlord receives a request under Section 1.1.3, whether the Requesting Airline's flight can be accommodated on a Preferential-Use Gate. If more than one passenger carrier can accommodate the flight, Landlord will select the tenant with the lowest Average Gate Utilization for Seats for all of its Preferential-Use Gates over the prior six months (measured from the date of the request under Section 1.1.3) to accommodate the Requesting Airline on its Preferential-Use Gates (the "Accommodating Airline")

1.1.4.4. Landlord will allow the Accommodating Airline to select the specific Preferential-Use Gate at which such accommodation will occur; *provided*, however, that the Preferential-Use Gate selected by the Accommodating Airline shall be able to accommodate the size of the Requesting Airline's aircraft and, if necessary, shall provide access to FIS Areas; and *further provided*, that Landlord shall have the right to select a Preferential-Use Gate other than that selected by the Accommodating Airline if Landlord determines, in its sole discretion, that a different selection is warranted under the circumstances.

1.1.4.5. In accommodating Landlord in its right to schedule such operations, the Accommodating Airline shall allow and provide for use of its facilities at the Preferential-Use Gate, or alternatively permit use of common use systems, as may be required for the Requesting Airline's efficient use of the Preferential-Use Gate and at the Requesting Airline's expense; *provided*, however, that the Requesting Airline shall leave the associated facilities and holdrooms in as good as condition as it when it began using the Preferential-Use Gate.

1.1.5. Duration of the Accommodation. A Requesting Airline shall be accommodated at the Accommodating Airline's Preferential-Use Gate until:

1.1.5.1. the Requesting Airline discontinues the flight(s) for which it sought accommodation; or

1.1.5.2. the Accommodating Airline makes a written request to Landlord that it is necessary to move the Requesting Airline's flight in order to schedule a new flight by the Accommodating Airline on its Preferential-Use Gates and either

- (a) a Common-Use Gate becomes available during a time that will accommodate the Requesting Airline's requested Active Period; or
- (b) another Passenger Carrier can accommodate the Requesting Airline's flight and aircraft without, in the sole discretion of Landlord, unduly affecting the Requesting Airline's operations.

In the event of either Section 1.1.5.2(a) or 1.1.5.2(b), the Requesting Airline shall be relocated within thirty (30) days' written notice from Landlord.

1.1.6. Charges for Accommodation. Landlord will charge the Requesting Airline the applicable fee for use of Common Use Holdrooms and Landlord will credit any such fee that is collected from the Requesting Airline to the Accommodating Airline after deducting 15% for Landlord's administrative costs.

1.1.7. Additional Obligations of Requesting Airline. The following shall apply any time an Accommodating Airline accommodates a Requesting Airline:

- (a) The Accommodating Airline may require the Requesting Airline to provide insurance coverage and agree in writing to indemnify the Accommodating Airline in the manner and to the extent required of the Accommodating Airline in its Agreement with Landlord.

(b) Requesting Airlines shall have the right to use any ground service companies on the ramp and passenger service companies in the Terminal (provided that such companies are authorized to operate at the Airport) and shall not be required to use the Accommodating Airline's employees or the Accommodating Airline's ground service or passenger service companies. Landlord shall require any ground service company on the ramp that a Requesting Airline is using to have their equipment on the ramp only during Active Periods and to remove any equipment from the ramp during Non-Active Periods.

(c) During the period of time that a Requesting Airline is using the Accommodating Airline's Preferential-Use Gate, the Accommodating Airline's indemnification of Landlord as required under its Agreement shall not extend to the use, occupancy and operations of the Requesting Airline, unless damage or injury is caused by or contributed by the Accommodating Airline, its officers, directors, employees, agents or invitees.

(d) Landlord may require the Accommodating Airline to tow aircraft from the apron area adjacent to the Accommodating Airline's Preferential-Use Gate to accommodate a Requesting Airline. Landlord shall designate an area to tow the aircraft and will make reasonable efforts to assign a reasonably convenient parking location. This obligation of the Accommodating Airline to tow any parked aircraft not engaged in an Active Loading or Active Unloading operations shall include, but not be limited to, any parked aircraft remaining overnight. This towing requirement shall not be invoked by Landlord if the period of time between the completion of the Active Unloading and the commencement of the Active Loading periods for a turn-around aircraft operation is less than 90 minutes. The Accommodating Airline shall receive a credit in the amount to be mutually determined based on actual costs as evidenced by third-party towing rates. In the event the Accommodating Airline fails to remove any aircraft as directed by Landlord under this subsection, then Landlord may cause the removal of such aircraft and the Accommodating Airline shall pay to Landlord (1) all costs incurred by Landlord plus a fifteen percent (15%) administrative fee. In such case, the Accommodating Airline waives any and all claims against Landlord and any of its officers, employees for any loss or damage sustained to any such aircraft, or any part thereof, by reason of such removal and (2) the Accommodating Airline shall indemnify Landlord and its officers and employees against all liability arising out of such removal of said aircraft. Nothing in this section shall impair the rights of the Accommodating Airline vis-a-vis the agent who moves the Accommodating Airline's aircraft.

Additional Definitions

Final Seasonal Schedule means the Seasonal Schedule that is in place 90 days prior to the Seasonal Commencement Date of each winter and summer flight season.

Initial Seasonal Schedule means the Seasonal Schedule submitted to Landlord by Tenant at least 180 days prior to the Seasonal Commencement Date of each winter and summer flight season.

Scheduled Operation means Tenant's operation (arrival or departure) that occurs pursuant to Tenant's current Final Seasonal Schedule.

Seasonal Commencement Date means first day of flights under the winter schedule and the summer schedule, as determined by Landlord.

Seasonal Schedule means the flight schedule submitted by Tenant to Landlord each winter and summer season.

Seats means a seat on an aircraft arriving or departing from the Airport other than those seats reserved in the flight deck or aircraft cabin for members of the flight crew.

CIVIL RIGHTS – TITLE VI ASSURANCES

Civil Rights – Title VI Assurances. In accordance with, and as amended or interpreted from time to time, 49 USC § 47123, FAA Order 1400.11, and U.S. Department of Transportation Order DOT 1050.2, Standard Title VI Assurances and Nondiscrimination Provisions, effective April 24, 2013.

- I. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this contract, the tenant, for itself, its assignees, and successors in interest (hereinafter referred to as the “Tenant”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:
- Title VI of the Civil Rights Act of 1964 (42 USC § 2000d *et seq.*, 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
 - 49 CFR part 21 (Non-discrimination in Federally-Assisted programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964);
 - The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 USC § 4601) (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
 - Section 504 of the Rehabilitation Act of 1973 (29 USC § 794 *et seq.*), as amended (prohibits discrimination on the basis of disability); and 49 CFR part 27 (Nondiscrimination on the Basis of Disability in Programs or Activities Receiving Federal Financial Assistance);
 - The Age Discrimination Act of 1975, as amended (42 USC § 6101 *et seq.*) (prohibits discrimination on the basis of age);
 - Airport and Airway Improvement Act of 1982 (49 USC § 47123), as amended (prohibits discrimination based on race, creed, color, national origin, or sex);
 - The Civil Rights Restoration Act of 1987 (PL 100-259) (broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
 - Titles II and III of the Americans with Disabilities Act of 1990 (42 USC § 12101, *et seq.*) (prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities) as implemented by U.S. Department of Transportation regulations at 49 CFR parts 37 and 38;
 - The Federal Aviation Administration’s Nondiscrimination statute (49 USC § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
 - Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations (ensures nondiscrimination

against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations);

- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs [70 Fed. Reg. 74087 (2005)];
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 USC § 1681, et seq).

II. Compliance with Nondiscrimination Requirements. During the performance of this lease, the tenant, for itself, its assignees, and successors in interest (hereinafter referred to as the “Tenant”), agrees as follows:

1. Compliance with Regulations: The Tenant (hereinafter includes sublessees) will comply with the Title VI List of Pertinent Nondiscrimination Acts and Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.
2. Nondiscrimination: The Tenant, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, national origin (including limited English proficiency), creed, sex (including sexual orientation and gender identity), age, or disability in the selection and retention of subcontractors, including procurements of materials and leases of equipment. The Tenant will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR part 21.
3. Solicitations for Subcontracts, including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding or negotiation made by the Tenant for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be notified by the Tenant of the contractor’s obligations under this contract and the Nondiscrimination Acts and Authorities on the grounds of race, color, or national origin.
4. Information and Reports: The Tenant will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the Landlord or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts and Authorities and instructions. Where any information required of a

contractor is in the exclusive possession of another who fails or refuses to furnish the information, the Tenant will so certify to the Landlord or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.

5. Sanctions for Noncompliance: In the event of a Tenant's noncompliance with the non-discrimination provisions of this contract, the Landlord will impose such contract sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to:
 - a. Withholding payments to the Tenant under the contract until the Tenant complies; and/or
 - b. Cancelling, terminating, or suspending a contract, in whole or in part.
6. Incorporation of Provisions: The Tenant will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations, and directives issued pursuant thereto. The Tenant will take action with respect to any subcontract or procurement as the Landlord or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Tenant becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, the Tenant may request the Landlord to enter into any litigation to protect the interests of the Landlord. In addition, the Tenant may request the United States to enter into the litigation to protect the interests of the United States.

III. Agreements for the Transfer of Real Property Acquired or Improved Under the Airport Improvement Program.

- A. The lessee for himself/herself, his/her heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, and in the case of deeds and leases intends as a covenant running with the land, that:
 1. In the event facilities are constructed, maintained, or otherwise operated on the property described in this lease for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, the lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Title VI List of Pertinent Nondiscrimination Acts and Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

- B. With respect to lease, in the event of breach of any of the above Nondiscrimination covenants, the Landlord will have the right to terminate the lease and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the lease had never been made or issued.
- C. With respect to a deed, in the event of breach of any of the above Nondiscrimination covenants, the Landlord will have the right to enter or re-enter the lands and facilities thereon, and the above-described lands and facilities will there upon revert to and vest in and become the absolute property of the Landlord and its assigns.

IV. Agreements for the Construction/Use/Access to Real Property Acquired Under the Airport Improvement Activity, Facility, or Program.

- A. The lessee for himself/herself, his/her heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, and in the case of deeds and leases intends as a covenant running with the land, that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the lessee will use the premises in compliance with all other requirements imposed by or pursuant to the Title VI List of Pertinent Nondiscrimination Acts and Authorities.
- B. With respect to lease, in the event of breach of any of the above Non-discrimination covenants, the Landlord will have the right to terminate the lease and to enter or re-enter and repossess said land and the facilities thereon, and hold the same as if said lease had never been made or issued.
- C. With respect to deeds, in the event of breach of any of the above Non-discrimination covenants, the Landlord will there upon revert to and vest in and become the absolute property of the Landlord and its assigns.