

RESOLUTION NO. 27305

WHEREAS, on recommendation of Management, there was presented for approval, appropriation of \$1,067,000,000 to acquire terminal improvements, contemplated in Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc.; Third Amendment to said Agreement LAA-9037 for administrative changes, covering space in Terminals 4 and 5 at Los Angeles International Airport; and Direct Disbursement of up to \$1,600,000 for concession buy-outs or convenience termination payments for concessionaires in Terminal 4 impacted by said airlines' development program; and

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

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Justin Erbacchi
Chief Executive Officer

WHEREAS, Los Angeles World Airports (LAWA) and American Airlines, Inc. (American) executed Terminal Facilities Lease and License Agreement LAA-9037 for space in Terminal 4 (T4) and Terminal 5 (T5) at Los Angeles International Airport (LAX) in order to facilitate construction of renovations in both terminals that will modernize the facilities, connect the terminals to the Automated People Mover (APM), and improve guest experience; and

WHEREAS, said Agreement includes provisions for LAWA to acquire, in an amount not to exceed \$1,615,000,000, the following: existing facility bonds, T4 Additional Assets, Minimum Improvement Requirement projects, and future renovations. The Board of Airport Commissioners (Board) previously approved funding appropriations in the amount of \$548,000,000, leaving a balance of \$1,067,000,000 yet to be appropriated. Following are the details:

Component	Appropriation
T4 Bond Defeasance	\$ 189,500,000
T4 Additional Assets	36,500,000
Minimum Improvement Requirement – Airline Renovations	241,500,000
Minimum Improvement Requirement – Terminal Renovations	80,500,000
Subtotal of Funds Appropriated	\$ 548,000,000
Future Improvement Projects	1,067,000,000
Maximum Acquisition Amount	\$ 1,615,000,000; and

WHEREAS, pursuant to the Agreement, American may submit one or more Definitive Terminal Improvement Plans (DTIP) for future improvements related to the T4 and T5 Modernization Program for which American has committed to achieve a goal of 20% Minority Business Enterprise /Small Business Enterprise/Women's Business Enterprise; and

WHEREAS, American worked closely with LAWA to develop the renovation plan to connect passengers to the APM, renovate the T4 and T5 check-in lobbies and arrival halls, construct a consolidated passenger security screening checkpoint and a new secure connector between T4 and T5, expand T4 hold rooms and concessions, and add additional restrooms; and

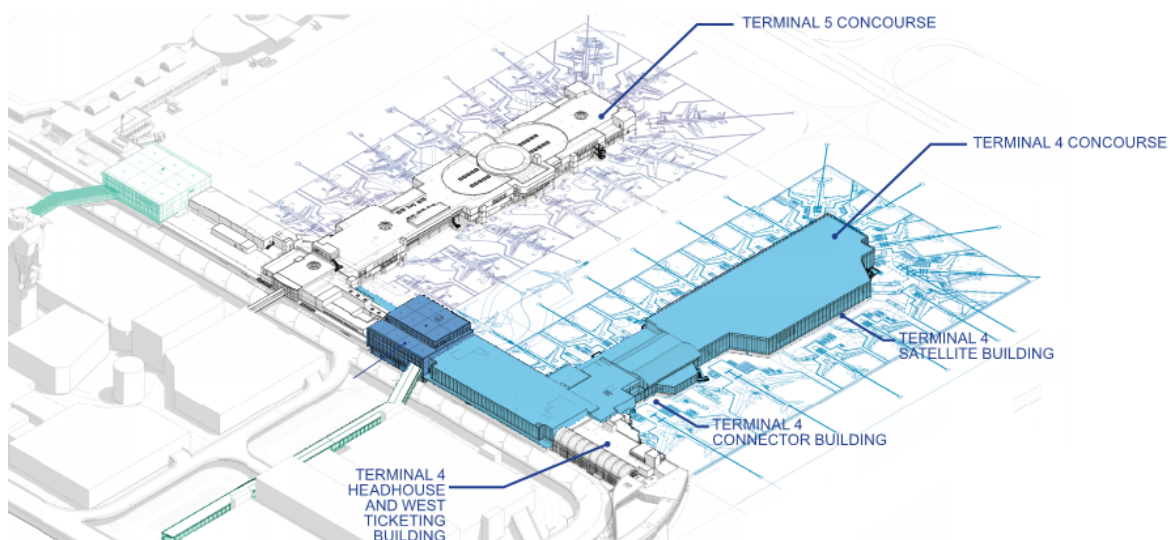
WHEREAS, in accordance with the Agreement, American has submitted, and the LAWA Chief Executive Officer has approved, the DTIP, to complete design and construction of the T4 and T5 improvements and enhancements as follows:

- T4 Vertical Core improvements include:
 - A consolidated security screening checkpoint



- Connections to the APM vertical transportation core
 - Upgraded landside and airside concessions program
 - New headhouse for passenger processing and other related functionalities
 - Vertical transportation from the new security screening checkpoint to the concourse and from the concourse level to the arrivals area
 - New Terminal façade in the areas of new construction in compliance with the LAX Terminal Core and Façade Design requirements
 - An architectural refresh of passenger processing areas in T4 west headhouse
 - New airline and airport offices and support spaces
 - Transportation Security Administration and law enforcement offices and support spaces
 - A secure airside connection between T4 and T5
 - Connections to the Terminal 4.5 vertical core which will provide the landside and airside connections between the terminals
 - New passenger check-in and baggage claim facilities
- T4 Modernization Project improvements, including a new south concourse that will provide:
 - Ample hold rooms, concessions, restrooms, eleven (11) single aisle aircraft gates – four (4) of which will have federal inspection services access, and a bus gate that serves both domestic and international traffic
 - Airline and airport support spaces will be rebuilt in a consolidated and efficient layout on the ramp and mezzanine levels
 - The remaining north concourse and west headhouse work which includes modifications for passenger circulation and an architectural refresh of passenger circulation areas
 - T4 power systems upgrades, including transformers and backup power
 - Replacement of the T4 aircraft apron and reconfiguration of the hydrant fueling system and impacted underground utilities; and

WHEREAS, Schedule 1-D – Terminals 4 & 5 Summary of Term Investment Projects, attached hereto and made part hereof, outlines the Terminal Investment Projects described in the DTIP and, per Section 2.2.4 of the Agreement, will become an additional schedule to the Agreement; and



WHEREAS, the Third Amendment to the Agreement will allow for reduction of the maximum acquisition amount by \$1,600,000 to reflect the transfer of funds from the American project to LAWA in order to terminate concessions in T4 impacted by the project:

Description	Appropriation
Maximum Acquisition Amount	\$ 1,615,000,000
less: Concessions-related buy-outs and/or direct Convenience Termination Payments from LAWA	(1,600,000)
Amended Maximum Acquisition Amount	\$ 1,613,400,000; and

WHEREAS, pursuant to the Agreement, the T4 and T5 renovation project costs are classified as either Proprietary, which are funded by American, or Non-Proprietary, which LAWA will acquire. Furthermore, Non-Proprietary Renovations are classified as either Airline Renovations, which are improvements to areas leased by American, or Terminal Renovations, which are improvements to terminal areas that are not leased to American; and

WHEREAS, in accordance with the terms of the Agreement, LAWA will acquire Non-Proprietary Airline Renovations with cash, while Non-Proprietary Terminal Renovations will be acquired by issuing rent credits in equal installments over the remaining term, unless the Board approves exercising the option to make a cash payment instead. Following are the estimated costs of the DTIP Non-Proprietary Airline Renovations and Non-Proprietary Terminal Renovations, with additional detail provided in Schedule 1-D, attached hereto and made part hereof:

Description	Estimated Cost
T4 and T5 – Non-Proprietary Airline Renovations	\$ 745,780,000
T4 and T5 – Non-Proprietary Terminal Renovations	319,620,000
Total	\$1,065,400,000; and

WHEREAS, authorizing LAWA, through its Chief Executive Officer, to exercise its option, pursuant to Section 2 of Schedule 1-A of the Agreement, to purchase the remaining Non-Proprietary Terminal Renovations in the amount of approximately \$319,620,000, with cash rather than issuing rent credits, will allow for elimination of costs associated with accrual of interest paying off the Non-Proprietary Terminal Renovations with rent credits over the remaining term; and

WHEREAS, certain concessions will need to be closed before their contract terms expire so that construction work to deliver the proposed improvements can be completed. Per existing concession agreements for those concessionaires, they will need to be made whole for early termination. LAWA will disperse convenience termination payments, as provided and calculated under Section 9.1 of Agreement LAA-8586A with Host International, Inc.; Section 9.1 of Agreement LAA-8843 with Areas USA LAX, LLC; Section 9.1 of Agreement LAA-8550A with Hudson-Magic Johnson Enterprise-Concourse Ventures, LLC; Section 9.1 of Agreement LAA-8551A with LAX Retail Magic 2 JV; and Section 9.2.1 of Agreement LAA-8647 with DFS Group LP, up to a total aggregate amount of \$1,600,000. The estimated buy-out amounts and/or convenience termination payments for each of the concessions impacted by American's T4 development program are listed in Exhibit – Concessions Early Termination Value, attached hereto and made part hereof; and

WHEREAS, the convenience termination payments will be made after execution by the respective parties of an appropriate "Release of Claims," approved as to form by the City Attorney, with respect to termination or buy-out of the unamortized net book value of certain Initial Improvements or Mid-Term Refurbishments or any Termination for Convenience related to specific concessions units

impacted by American's Terminal Improvements, as provided in the respective concessions agreement(s); and

WHEREAS, the DTIP will increase LAWA's acquisition obligation to American from \$548,000,000 to \$1,613,400,000. The Direct Disbursement to impacted concessionaires for Buy-Outs and/or Convenience Termination Payment(s) in a not to exceed amount of \$1,600,000 will be allocated from WBS Element 1.18.40A-700 (T4 and T5 Renovations). Required additional funds not to exceed \$1,067,000,000 will be appropriated and allocated from the LAX Revenue Fund to WBS Element 1.18.40A-700 (T4 and T5 Renovations) and other Board-approved related WBS Elements, as needed. This will cover LAWA's obligation to American for acquisitions and to concessionaires for early termination buy-outs or convenience termination payments; 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, any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of CEQA is exempt from further review pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines. The underlying project and the recommended actions were previously evaluated for environmental significance by the T4 Modernization Project Negative Declaration that was adopted by the Board of Airport Commissioners on September 3, 2020 (Resolution 27101) and the Landside Access Modernization Program Environmental Impact Report that was certified by the Board of Airport Commissioners on March 2, 2017 (Resolution 26185), as well as analysis prepared pursuant to State CEQA Guidelines, Section 15164, dated July 1, 2021 – <https://www.lawa.org/lawa-our-lax/environmental-documents/documents-certified>; and

WHEREAS, American will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances, the Affirmative Action Program, and the Child Support Obligations Ordinance; and

WHEREAS, American is assigned Business Tax Registration Certificate 0000586892-0001-8; and

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

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

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

WHEREAS, American 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 III, Class 1 (18)(c) and Article II, Section 2.i. of the Los Angeles City CEQA Guidelines; approved appropriation of \$1,067,000,000 to acquire terminal improvements contemplated in Terminal Facilities Lease and License Agreement LAA-9037 with American

Airlines, Inc.; further approved the Third Amendment to said Agreement LAA-9037 for administrative changes, covering space in Terminals 4 and 5 at Los Angeles International Airport; authorized the Chief Executive Officer, or designee, to execute said Third Amendment to Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc. after approval as to form by the City Attorney and approval by the Los Angeles City Council; further approved allocation of not to exceed \$1,600,000 for direct payments from Los Angeles World Airports for concessions-related buy-outs and/or convenience termination payments for concessions impacted by American Airlines, Inc.'s Terminal 4 development program; acknowledged that remaining funds previously contemplated in said Terminal Facilities Lease and License Agreement LAA-9037, as amended, for acquisition of terminal improvements will be reduced to \$1,065,400,000 (\$1,067,000,000 less \$1,600,000) for non-proprietary improvements; further authorized the Chief Executive Officer to prepare, enter into, and execute an appropriate "Release of Claims" with respect to termination or buy-out of the unamortized net book value of certain Initial Improvements, or Mid-Term Refurbishments, or any Termination for Convenience related to specific concessions units impacted by American Airlines, Inc.'s terminal improvements, as provided in the respective concessions agreement(s) with Host International Inc., Areas USA LAX LLC, Hudson-Magic Johnson Enterprise-Concourse Ventures LLC, LAX Retail Magic 2 JV, and DFS Group LP, as defined and outlined in this Resolution, and to issue the respective buy-out payment(s) or convenience termination payment(s) contemplated within each of the respective concessions agreements, up to a total of \$1,600,000; and further authorized the Chief Executive Officer to exercise the option to purchase Non-Proprietary Terminal Renovations with cash payments instead of rent credits, as provided in said Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc.

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I hereby certify that this Resolution No. 27305 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Thursday, July 8, 2021.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

Attachments:

- *Schedule 1-D – Terminals 4 & 5 Summary of Term Investment Projects*
- *Exhibit – Concessions Early Termination Value*