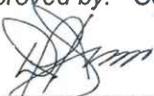
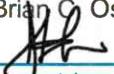




# REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

 <u>Denise Sample (Dec 27, 2021 11:33 PST)</u> Approved by: Courtney Kenard, Property Manager		<u>Meeting Date:</u> 1/6/2022																									
 Reviewed by: Dave Jones, Deputy Executive Director, Commercial Development		<u>CAO Review:</u> <input type="checkbox"/> Completed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> N/A																									
 <u>Brian Ostler (Dec 27, 2021 12:17 PST)</u> Brian C. Ostler, City Attorney		<table border="1"> <thead> <tr> <th>Reviewed for</th> <th>Date</th> <th>Approval Status</th> <th>By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>12/20/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>JS</td> </tr> <tr> <td>CEQA</td> <td>12/14/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>VW</td> </tr> <tr> <td>Procurement</td> <td>12/14/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond</td> <td>LK</td> </tr> <tr> <td>Guest Experience</td> <td>12/21/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>12/13/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>KC</td> </tr> </tbody> </table>		Reviewed for	Date	Approval Status	By	Finance	12/20/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS	CEQA	12/14/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW	Procurement	12/14/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	LK	Guest Experience	12/21/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB	Strategic Planning	12/13/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC
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 <u>Justin Erbacci (Dec 27, 2021 12:17 PST)</u> Justin Erbacci, Chief Executive Officer																											

## SUBJECT

Request to approve a temporary airline lounge rent deferral program for eligible air carriers at Los Angeles International Airport.

## RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f. of the Los Angeles City CEQA Guidelines.
- APPROVE the temporary deferral of airline lounge rent for Qantas Airways, which has signed the Letter Amendment on airline lounge space from October 2021 through June 2022 at Los Angeles International Airport.
- AUTHORIZE the Chief Executive Officer or designee to implement the temporary airline lounge rent deferral program set forth in this report and execute the associated Letter Agreement, subject to approval as to form by the City Attorney and approval by the Los Angeles City Council.

## DISCUSSION

### 1. Purpose

To provide rent deferral for eligible air carriers in consideration of the decline in international passenger traffic and subsequent closure of airline lounges at Los Angeles International Airport (LAX).

### 2. Prior Related Actions

- **April 20, 2020 – Resolution No. 27005**  
The Board of Airport Commissioners approved an amendment to extend the submittal deadline of the airline Passenger Airline Relief Program Letter Agreements until to May 31, 2020, for air carriers and airline consortiums.
- **April 9, 2020 – Resolution No. 26995**  
The Board of Airport Commissioners approved the airline Passenger Airline Relief Program that deferred fee payment under the LAX Passenger Terminal Tariff for passenger air carriers and existing airline consortium for the months of April and May 2020 and suspended gate utilization calculations and/or requirements under the LAX Passenger Terminal Tariff for the same period. Repayments were allowed over a six-month period July 1, 2020 through December 31, 2020, in equal monthly installments.

### 3. Current Action

The Board of Airport Commissioners has approved several actions since the onset of COVID-19 to support Los Angeles World Airports' efforts to stabilize rates and charges for the airlines. These actions include the temporary deferral of terminal and airfield fees from April through May 2020, an amendment to the LAX Rates and Charges Methodology and Rate Agreement, amending the terminal rates and charges application period from calendar year to fiscal year, stabilizing rent for common use facilities, and revising landing and apron fees to defer costs.

No action, however, has been taken to address airline lounge leases. There are currently 12 premium airline passenger lounges operated by lease at LAX, all of which were closed for some period between April 2020 and the present in response to travel restrictions imposed by international airlines' national governments in response to COVID-19. As a result, several international airline partners requested that Los Angeles World Airports consider a rent deferral program specifically for premium passenger lounge lease costs as airlines have been required to continue to pay rent for lounge space regardless of their operational status.

In response, Los Angeles World Airports staff proposed a rent deferral program for airlines with premium passenger lounge leases that meet that following conditions:

- The total number of enplaned international passengers at LAX accounted for at least 50 percent of the airline's total enplaned passengers (domestic and international) at LAX for calendar year 2019

- The policies of the airline’s national government in response to COVID-19 severely restricted passenger aircraft operations to/from the United States of America
- The airline’s passenger lounge has been closed due to the policies of the airline’s national government and the airline is not receiving payments from other airlines based on a lounge sharing agreement
- The airline has paid at least 25 percent of the rent due for the period April 1, 2020 through September 30, 2021

The following airlines with premium passenger lounge leases were offered the proposed rent deferral program: Air Canada, Air New Zealand, Alaska Airlines, American Airlines, Delta Air Lines, Emirates Airlines, Etihad Airways, Korean Air, Qantas Airways, and United Airlines.

Only Qantas Airways requested to participate in the program.

The following table summarizes the Letter Agreement for the lounge rent deferral program:

<b>Provision</b>	<b>Description</b>
Balance of Past Due Rent:	The airline may defer 75 percent of past due Terminal Building Charges through the earlier of (i) June 30, 2022, or (ii) the date that the airline’s national government lifts international travel restrictions.
Monthly Deferrals:	Each month during the period of October 1, 2021 through the earlier of June 30, 2022, or the date that the airline’s national government lifts international travel restrictions, the airline may defer 75 percent of the monthly Terminal Buildings Charge. The airline must remain current on the remaining 25 percent of the monthly rent.
Deferred Rent and Interest:	The balance of past due rent shall accrue interest at the rate of 0.70 percent annually from the date that the payments would have first been due under the lease until the time that all past due rent is paid.
Payment of Deferred Rent:	The airline will repay all deferred rent in equal monthly installments over 12 months starting the first month after lifting of travel restrictions.
Performance Guaranty Requirement:	The airline will be required to maintain a “Performance Guarantee” in the amount of three months full rent during the repayment period.
Requirement to be Current on Payments Due:	The airline must remain current on all monetary obligations under their lease. If the airline fails to comply, any remaining deferred rent will immediately become due and payable in full.

***How this action advances a specific strategic plan goal and objective***

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.* Authorizing and approving this temporary airline lounge rent deferral program for eligible air carriers impacted by the decline in international passenger traffic as a result of COVID-19 travel restrictions will enable the airlines to defer payments and conserve cash during the period the lounges are not operational and make timely rental payments as passenger traffic returns.

***Fiscal Impact***

The fiscal impact of this action will be a delay in monthly cash receipts, but Qantas is required to repay all deferred rent with interest. If any payments are missed, Los Angeles World Airports will collect by drawing on Qantas' Performance Guarantee.

**4. Alternatives Considered**

- ***Take No Action***

Taking no action would require all passenger air carriers to be current in accordance with the lease for all rent. This is not a recommended action as international air activity has not yet returned and some international air carriers have accumulated large past due rental amounts.

**APPROPRIATIONS**

No appropriation of funds is required for this action.

**STANDARD PROVISIONS**

1. This action, as a continuing administrative activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f. 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. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate number.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.

10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.