



RESOLUTION NO. 26114

LAX
Van Nuys
City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

Sean O. Burton
President

Valeria C. Velasco
Vice President

Jeffery J. Daar
Gabriel L. Eshaghian
Beatrice C. Hsu
Nolan V. Rollins
Dr. Cynthia A. Telles

Deborah Flint
Chief Executive Officer

BE IT RESOLVED that the Board of Airport Commissioners approved the Amended & Restated Lease and License Agreement LAA-8600 with Tom Bradley International Terminal Equipment Company to extend the term through September 15, 2025, with option to extend through December 31, 2030; update certain lease provisions; adjust premises; and add aeronautical equipment in terminals at Los Angeles International Airport, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Chief Executive Officer to execute said Amended and Restated Lease and License Agreement upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

BE IT FURTHER RESOLVED that 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 the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that 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.

oOo

I hereby certify that this Resolution No. 26114 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, November 17, 2016.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

REPORT TO THE

12 Number here

BOARD OF AIRPORT COMMISSIONERS

Hebbie Bowers
Approved by: Dave Jones, Airline Property and Concessions Services

Meeting Date:

11/17/2016

Hebbie Bowers
Reviewed by: Debbie Bowers, Deputy Executive Director, Commercial Development Group

CAO Review:

- Completed
- Pending
- N/A

J. Timothy J.
City Attorney

Deborah Flint
Deborah Flint – Chief Executive Officer

Reviewed for	Date	Approval Status	By
Capital Budget	11/17/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	NE
Operating Budget	11/17/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	10/13/2016	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	NM
Procurement	10/31/2016	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	11/7/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

SUBJECT: Approval of Amended and Restated Lease and License Agreement with Tom Bradley International Terminal Equipment Company

Approve the Amended and Restated Lease and License Agreement with Tom Bradley International Equipment Company to extend the term to September 15, 2025 with an option to extend to December 31, 2030 and add new premises and aeronautical equipment which will generate approximately \$61,000,000 in revenue in the first year and \$883,000,000 over the term.

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 Amended and Restated Lease and License Agreement with Tom Bradley International Equipment Company to extend the term, update certain lease

provisions, adjust premises, and add aeronautical equipment in terminals at Los Angeles International Airport.

4. AUTHORIZE the Chief Executive Officer to execute the proposed Amended and Restated Lease and License Agreement with Tom Bradley International Terminal Equipment Company after approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Adjust lease terms to deal with pending airline relocation impacts and to provide appropriate property rights for new aeronautical equipment being installed at Los Angeles International Airport (LAX).

2. Prior Related Actions

- August 15, 2011 – Board Resolution No. 24560 (LAA-8600)
The Board of Airport Commissioners (Board) approved a five-year Lease and License Agreement (Lease) with Tom Bradley International Terminal Equipment Company (TBITEC) to maintain aeronautical equipment in Tom Bradley International Terminal (TBIT).
- May 7, 2013 - Board Resolution No. 25119 (LAA-8600A)
The Board approved the First Amendment to the Lease to extend the term from five to ten years and to add premises and aeronautical equipment in Terminal 2.
- April 7, 2014, Resolution No. 25387 (DA-4893)
The Board approved an Equipment Acquisition Agreement with TBITEC in an amount not to exceed \$11,375,000 to acquire upgrades to the baggage handling system in Terminal 2.
- May 19, 2014, Resolution No. 25413 (DA-4909)
The Board approved an Equipment Acquisition Agreement with TBITEC in an amount not to exceed \$49,750,000 to acquire upgrades to the baggage handling system in Tom Bradley International Terminal.
- May 21, 2015 - Board Resolution No. 25699 (LAA-8600B)
The Board approved the Second Amendment to the Lease to extend the term to add premises and aeronautical equipment in Terminal 3.

3. Current Action

TBITEC is a nonprofit airline consortium formed to design, finance, install, and operate and maintain passenger and aeronautical support equipment at LAX. TBITEC leases, operates and maintains the aeronautical equipment including the baggage system in TBIT, Terminal 2 and Terminal 3 pursuant to its Lease. To support operations and expanded guest experience in the new Midfield Satellite Concourse (MSC), TBITEC has agreed to procure and install the baggage handling system equipment that is needed to route checked baggage from TBIT to aircraft departing from MSC gates. The proposed Amended and Restated Lease (Amendment) will provide appropriate term and property rights for TBITEC

to install, lease, operate and maintain this equipment in the MSC. In addition, the proposed Amendment will allow the Lease premises to be adjusted to reflect the impacts of the impending Delta Air Lines, Inc. (Delta) relocation that will cause airlines operating in Terminals 2 and 3 to move to Terminals 5 and 6. Key components of the Amended and Restated Lease and License Agreement include:

Term

The proposed term has been extended from September 15, 2021 to September 15, 2025 to allow for the installation of new aeronautical equipment which will connect the existing TBIT baggage handling system to the MSC. TBITEC has competitively bid a contract to operate and maintain the terminal aeronautical equipment, with a term through the proposed expiration date of September 15, 2025, which can be extended to December 31, 2030 if by June 1, 2025 TBITEC notifies the Chief Executive Officer in writing that it has secured a maintenance agreement through this period to continue to operate and maintain this equipment.

Premises

The Lease premises are expected to change due to impacts of Delta relocating from Terminal 5 into Terminals 2 and 3. Concurrent with the relocation and with ninety days written notice, the Chief Executive Officer will remove equipment and premises in Terminals 2 and 3 for the Lease. Further, if TBITEC provides the Chief Executive Office with its consent, then the premises and equipment in Terminal 5 premises will be added.

Aeronautical Equipment

The MSC will add 12 aircraft gates, 25 passenger boarding bridges and associated equipment, baggage conveyors, early baggage storage systems, and independent carrier transport equipment to connect to the TBIT baggage handling system. All of this equipment will be added to the Lease as equipment is installed. In addition, aeronautical equipment in Terminals 2 and 3 will be deleted from the Lease, and equivalent equipment in Terminal 5 will be added.

Proposed Amended and Restated Lease		
	<u>Current</u>	<u>Proposed</u>
Term:		
Effective Date	9/11/2011	No change
Expiration Date	9/10/2021	9/10/2025
Cancellation Provision	180-day written notice	No change
Option to Extend	None	LAWA 5-year extension option
Premises :		
Terminal 2*	58,773	0
Terminal 3*	73,778	0
TBIT	95,951	158,210
Terminal 5*		66,204
MSC**		94,901
North Baggage Handling Facility **		57,252
Tunnels **		83,612
Passenger Boarding Bridges:	69	91
* Addition and deletion of premises is dependent on the Delta Lease Terminal and Relocation		
** Premises will be added after Aeronautical Equipment is acquired by LAWA		

Action Requested

Staff requests the Board approve the Amended and Restated Lease and License Agreement and authorize the Chief Executive Officer to execute the Amended and Restated Lease and License Agreement after approval as to form by the City Attorney and approval by the City of Los Angeles City Council.

Fiscal Impact

Approval of the proposed Amended and Restated Lease and License Agreement will result in revenue of approximately \$61,000,000 in the first year. Revenue will decline when the premises in Terminals 2 and 3 are removed and replaced by space in Terminal 5. However, the spaces in Terminals 2 and 3 will be occupied by Delta, which will enable LAWA to

recoup the appropriate rent through the Delta Lease. Further, as new space comes online in the MSC and TBIT, TBITEC will pay for this space at Board approved rates.

4. Alternatives Considered

- **Do not approve and Amended and Restated Agreement with TBITEC**
- 1. Failure to approve the Amended and Restated Lease and License Agreement will prevent LAWA from assigning responsibility to TBITEC to operate and maintain certain equipment, leading to operational inefficiencies, additional costs, and limited accountability for operating and maintenance standards by allowing for unclear lines of responsibility and potential inconsistency in the operations and maintenance of the equipment in TBIT.
- 2. Premises in Terminals 2 and Terminal 3 would not be removed from the Lease and License Agreement, thereby impacting the Delta Lease Termination and Relocation into Terminals 2 and 3.

APPROPRIATIONS:

Staff does not request any appropriations at this time.

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 the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This agreement will be approved 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. TBITEC is required by contract to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Small Business Enterprise Program does not apply to Leases
6. TBITEC is required by contract to comply with the provisions of the Affirmative Action Program.
7. TBITEC has been assigned Exempt Business Tax Registration Certificate number 0000224444-0001-7.
8. TBITEC is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. TBITEC has approved insurance documents, in the terms and amounts required, on file

with the Los Angeles World Airports.

10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. TBITEC must submit a CRP Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program prior to execution of the Terminal Lease and License Amendment.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. TBITEC will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs.
14. This action is not subject to the provisions of the Bidder Contributions CEC Form 55.