



Los Angeles World Airports

Item Number  
5

# REPORT TO THE

# BOARD OF AIRPORT COMMISSIONERS

Approved by: Debbie L. Bowers  
Dave Jones, Director of Terminals Business Management

Reviewed by: Debbie L. Bowers  
Debbie L. Bowers, Deputy Executive Director

J. Timothy J. Ca  
City Attorney

Gina Marie Lindsey  
Gina Marie Lindsey - Executive Director

Meeting Date:

5/21/2015

CAO Review:

Completed  
 Pending  
 N/A

Reviewed for	Date	Approval Status	By
Capital Budget	5/8/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	5/6/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	4/22/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	5/5/2015	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	MT

## **SUBJECT: Second Amendment to the Terminal Lease and License Agreement with Tom Bradley International Terminal Equipment Company**

Approve the Second Amendment to the Terminal Lease and License Agreement with Tom Bradley International Terminal Equipment Company to lease space and license use of Aeronautical Equipment in Terminal 3 at Los Angeles International Airport generating approximately \$10,626,000 in additional revenue in the first year and \$86,627,000 additional revenue over the remaining 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 Second Amendment to the Terminal Lease and License Agreement with Tom Bradley International Terminal Equipment Company for the lease of space and licensing of Aeronautical Equipment at Terminal 3 at Los Angeles International Airport.
4. AUTHORIZE the Executive Director or her designee to execute the Second Amendment to the Terminal Lease and License Agreement with Tom Bradley International Terminal Equipment Company subject to approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

## **DISCUSSION:**

### **1. Purpose**

Assign responsibility for maintenance of aeronautical equipment and airline areas in Terminal 3 at Los Angeles International Airport (LAX).

### **2. Prior Related Actions**

- August 15, 2011 - Resolution No. 24560 (LAA-8600)  
The Board of Airport Commissioners (Board) approved a five-year Terminal Lease and License Agreement with Tom Bradley International Terminal Equipment Company (TBITEC) for the lease of terminal space at Tom Bradley International Terminal (TBIT) and operation and maintenance of aeronautical equipment at TBIT and remote gates (Lease).
- May 7, 2013 - Resolution No. 25119 (LAA-8600A)  
The Board approved a First Amendment to the Lease to extend the term from five years to ten years and allow for additional services to be provided at Terminal 2.

### **3. Current Action**

TBITEC, previously known as LAX Terminal Equipment Company (LAXTEC), is an airline consortium formed in 1982 as a nonprofit corporation to design, finance, install, operate and maintain passenger and aircraft support equipment at LAX. Although ownership of aeronautical equipment originally purchased by TBITEC, LAXTEC, and individual airlines has reverted to Los Angeles World Airports (LAWA), staff believes that it is in the best interest of both LAWA and the airlines to have such equipment operated and maintained by TBITEC given that the reliability and maintenance of the equipment is integral to airline operations and performance. In addition to insuring that LAWA does not interfere with or impede airline operations in the course of scheduled maintenance or in the event of equipment failure, the airlines retain primary liability for any incidents resulting from the operational performance and maintenance of the equipment.

The airlines operating in Terminal 3 have elected to join TBITEC in order for TBITEC to conduct maintenance of aeronautical equipment and airline areas in the terminal. Following is an outline of the terms of the proposed Second Amendment to the Lease:

#### **Demised Premises**

- Add approximately 73,600 square feet of space in Terminal 3 to the Demised Premises which currently includes approximately 91,900 square feet in TBIT and 55,500 square feet in Terminal 2. LAWA will have the right to reduce the Demised Premises, in whole or in part in TBIT, Terminal 2, or Terminal 3 upon 180 days advance written notice.

#### **License Use and Maintenance of Aeronautical Equipment**

- License use and require the maintenance of airlines equipment in Terminal 3, including all components of the inbound and outbound baggage systems and the passenger boarding bridges. TBITEC will be required to maintain the equipment to standards established by LAWA.

Gate Control/Scheduling

- Assign Terminal 3 gate control and scheduling to the airlines. The Executive Director will retain the right to designate, assign, and establish minimum utilization requirements for preferential-use gates in Terminal 3.

The table below provides a summary of key elements of the proposed Second Amendment to the Lease:

<b>Lease and License Agreement Second Amendment Summary</b>		
	<b><u>Current</u></b>	<b><u>Proposed</u></b>
<b>Term:</b>		
Commencement	September 16, 2011	No Change
Expiration	September 15, 2021	No Change
Cancellation Provision	180 days written notice	No Change
<b>Premises:</b>		
TBIT	91,923 SF	No Change
Terminal 2	55,493 SF	No Change
Terminal 3	NA	73,610 SF
<b>Rental Rates:</b>		
Rent	Pursuant to Tariff and Rate Agreement*	No Change
* <i>Tariff /Rate Agreement Rental Rates are established annually by the Board of Airport Commissioners</i>		
<b>Services:</b>		
	TBIT & Terminal 2	Add Terminal 3
	Operation and Maintenance of:	Operation and Maintenance of:
	<ul style="list-style-type: none"> <li>• Passenger Boarding Bridges</li> <li>• Baggage Handling System</li> <li>• Ground Power Units</li> <li>• Potable Water Cabinets</li> <li>• Pre-conditioned Air Systems</li> <li>• Gate Control &amp; Scheduling</li> <li>• Ramp Control</li> <li>• Ramp Fire Equipment</li> <li>• Terminal equipment: Paging system, ticket counter scales</li> <li>• Holdroom Custodial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Passenger Boarding Bridges</li> <li>• Baggage Handling System</li> <li>• Ground Power Units</li> <li>• Potable Water Cabinets</li> <li>• Pre-conditioned Air Systems</li> <li>• Gate Control &amp; Scheduling</li> <li>• Ramp Control</li> <li>• Ramp Fire Equipment</li> <li>• Terminal equipment: Paging system, ticket counter scales</li> <li>• Holdroom Custodial Services</li> </ul>

**Action Requested**

Staff requests the Board approve and authorize the Executive Director to execute the proposed Second Amendment to the Terminal Lease and License Agreement with TBITEC to lease space and license use of Aeronautical Equipment in Terminal 3 subject to approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

### ***Fiscal Impact***

Approval of this action will result in savings to LAWA of approximately \$2,497,000 per year because when the airlines take over maintenance of the aeronautical equipment in Terminal 3, LAWA can terminate the maintenance contract with Aircraft Service International Group which provides for the operation and maintenance of Aeronautical Equipment at Terminal 3. This Amendment will generate approximately \$86,627,000 in incremental revenue over the term of the Agreement.

#### **4. Alternatives Considered**

- ***Take No Action***

If no action is taken, LAWA will continue to be responsible to contract for operations and maintenance services of the aeronautical equipment in Terminal 3, resulting in LAWA remaining responsible and liable for the equipment. This is not recommended since LAWA staff has determined it is in LAWA's best interest to transfer maintenance and operational responsibility and risk to airlines in these circumstances. In addition, not approving the amendment would deny Terminal 3 airlines control over their operations potentially creating a disadvantage for Terminal 3 airlines relative to all other airlines at LAX.

#### **APPROPRIATIONS:**

No Appropriations are required for this item.

#### **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 Minority/Women Business Enterprise Program does not apply to leases pursuant to the Mayor's Executive Directive 2001-26.
6. TBITEC is required by contract to comply with the provisions of the Affirmative Action Program.

7. TBITEC has been assigned 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 has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. TBITEC must be determined by Public Works, Office of Contract Compliance to be in compliance with 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 Airport jobs.
14. TBITEC must submit the Bidder Contributions CEC Form 55 and will comply with its provisions.