

RESOLUTION NO. 27227

WHEREAS, on recommendation of Management, there was presented for approval, Second Amended & Restated Terminal Facilities Lease and License Agreement LAA-8600 with Tom Bradley International Terminal Equipment Company to modify the premises, term and responsibilities of the firm under said agreement at Los Angeles International Airport; and

LAX

Van Nuys

City of Los Angeles

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Mayor

Board of Airport
Commissioners

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Vice President

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Dr. Cynthia A. Telles
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Justin Erbacci
Chief Executive Officer

WHEREAS, Los Angeles World Airports (LAWA) is in the process of implementing the Airline Cost Stabilization and Recovery Plan aimed at managing rates and charges at Los Angeles International Airport (LAX), as a mitigation measure for the negative impacts of the COVID-19 pandemic on the airport and airline operations and finances. The key objectives of said plan are: [i] make rates and charges at LAX more competitive; [ii] mitigate the increase in rates and charges for airlines due to reduced activity; [iii] harmonize common use costs across the airport; and [iv] achieve stability in LAX financial operations; and

WHEREAS, to achieve those objectives as it relates to LAX common use costs, LAWA needs to take the following actions:

- (1) Amend the lease with Tom Bradley International Terminal Equipment Company (TBITEC) in order to take control of the common use operational space and equipment. This will transfer the responsibility to establish common use charges for use of the space and equipment back to LAWA;
- (2) Enter into a temporary Service Agreement with TBITEC to continue providing services to airlines operating at common use facilities on behalf of LAWA;
- (3) Revise Common Use Baggage Rates and Terminal Special Charges to include the common use space and the cost of operations and maintenance of the common use equipment;
- (4) Complete a competitive solicitation for operations and maintenance of the common use equipment and replace the temporary Service Agreement; and

WHEREAS, said transition would allow LAWA to streamline the baggage system cost rates paid by common use airlines, eliminate the current system of rates which differ amongst common use terminals and apply cost-savings mitigation measures to the common use baggage system rates. Harmonizing common use rates also would allow LAWA to coordinate airline use in the terminals and facilitate growth in aviation activity; and

WHEREAS, airlines operating at LAX pay for use of terminal facilities pursuant to the rates and charges methodology under the LAX Passenger Terminal Tariff, as approved by the Board of Airport Commissioners. Said methodology provides a square foot rate Terminal Building Charge for demised premises and sets common use rates for common use areas and equipment, such as common use check-in counters, baggage claim areas, outbound baggage systems, common use hold rooms and associated aeronautical equipment; and

WHEREAS, the carriers that lease entire terminals at LAX, pay for all terminal space in their lease at the square foot rate Terminal Building Charge, and therefore do not pay common use rates in their leaseholds. Said carriers do pay certain common use fees to the extent they use common use facilities in addition to their leasehold space, e.g. Delta operates some flights out of the Tom Bradley International Terminal. (TBIT). During the 2017 airline relocations, which moved airlines between Terminals 2, 3, 4, 5 and TBIT, LAWA leased common use hold rooms and equipment, check-in counters and baggage handling systems to TBITEC, which is a nonprofit airline



consortium formed to design, finance, install, operate, and maintain passenger and aeronautical support equipment at LAX; and

WHEREAS, TBITEC is responsible for maintaining aeronautical equipment and spaces that are included in the lease, and charges the airlines that use those facilities and equipment to recover the costs to lease and maintain the space and equipment in each location. Therefore, common use airlines pay some fees to LAWA, and also pay TBITEC for maintaining and operating the aeronautical equipment in the common use facilities; and

WHEREAS, TBITEC uses a cost recovery methodology in order to cover the cost of maintaining the equipment that is calculated by allocating costs by facility. Therefore, TBITEC charges vary by facility. As a result, the common use airlines utilizing different terminal facilities pay different common use rate depending on the location where they operate; and

WHEREAS, further, with the substantial decline in traffic due to COVID-19, the costs that TBITEC charges per usage/operation have increased significantly. TBITEC cannot absorb operational costs when traffic decreases and, therefore, must impose higher fees per operation/use on airlines that do operate, which make the costs for those airlines to operate at LAX much higher and may cause LAWA to lose business; and

WHEREAS, LAWA's objective is to retain control of the aeronautical services provided by TBITEC on behalf of LAWA, in order to implement market competitive charges for those services paid by common-use/international airlines. To achieve said objective and shift control of the rate-setting, LAWA proposed to switch from leasing the spaces and assigning maintenance to the consortium, to a service where LAWA assumes control of providing the services, and thereby the rate-setting for operation and maintenance costs. Said change will accomplish two goals: first, it will create a true common use rate across the airport facility so that all common users pay the same rates regardless of the location of their operation; and, second, it will provide LAWA greater control for rate-setting; and

WHEREAS, the Second Amended & Restated Terminal Facilities Lease and License Agreement LAA-8600 with TBITEC will allow LAWA to implement said solution. Said Second Amended & Restated Terminal Facilities Lease and License Agreement will remove premises and remove all airline equipment, including passenger boarding bridges, baggage handling systems and other common use equipment in TBIT, Midfield Satellite Concourse (MSC) and Terminal 5 from TBITEC's lease, and will revert billing for premises use and operation and maintenance of equipment to LAWA to charge the common use airlines directly for use of the spaces and equipment; and

WHEREAS, specific areas in TBIT and MSC, where TBITEC is currently installing equipment that will be acquired by LAWA pursuant to Equipment Acquisition Agreements DA-5158, DA-5159 and DA-5323, will remain in the Second Amended & Restated Terminal Facilities Lease and License Agreement. Also, the upper level controls mechanism of the Terminal 5 baggage handling system will remain in the lease as licensed equipment, despite occupying no specific demised premises, to allow TBITEC to complete renovation and upgrade of said equipment pursuant to Equipment Acquisition Agreement DA-5458; and

WHEREAS, contemporaneously with this action, LAWA will enter into a service agreement with TBITEC to provide the services, so there is no operational disruption while LAWA completes a competitive solicitation process to provide the services. TBITEC will invoice LAWA for the costs, effectively transferring control of rate-setting for operation and maintenance costs from TBITEC to LAWA; and

WHEREAS, following are the key changes of the Second Amended & Restated Terminal Facilities Lease and License Agreement; all other terms remain unchanged:

	Previous	Amended & Restated
Term:		
- Effective Date	01/26/2017 ⁽⁺⁾	the date on which the Agreement has received all required approvals and consents, and is fully executed by TBITEC and City ⁽⁺⁾
- Expiration Date	12/31/2025 ⁽⁺⁾	no change
- Cancellation Provision	180-day written notice	90-day written notice
- Option to Extend	five (5)-year extension to 12/31/2030	removed
Premises (square feet):		
- TBIT	140,100	0
- Terminal 5	96,204	0
- MSC	94,901	86,136
- North Baggage Handling Facility	57,252	82,528
- Tunnels	83,612	95,169
Passenger Boarding Bridges:	60	0
Estimated Annual Rent:		
- Loading Bridges	\$ 3,384,780	\$0
- Space Rent	\$105,894,518	\$0*; and

* *Rent Commencement Date in the Lease is upon completion of new facilities, which do not yet exist. Upon completion, TBITEC will pay approximately \$59M annually for the new premises, unless LAWA terminates the Lease, as intended.*

⁽⁺⁾ *amendment presented by staff and approved by the Board of Airport Commissioners at the Board meeting*

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, TBITEC is required by contract to comply with the provisions of the Living Wage/Worker Retention Ordinances; and

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

WHEREAS, TBITEC has been assigned Exempt Business Tax Registration Certificate 0000224444-0001-7; and

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

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

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

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

WHEREAS, TBITEC 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 Amended Staff Report; determined 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; approved the Second Amended & Restated Terminal Facilities Lease and License Agreement LAA-8600 with Tom Bradley International Terminal Equipment Company to modify the premises, term and responsibilities of the firm under said agreement at Los Angeles International Airport; and authorized the Chief Executive Officer to execute said Second Amended & Restated Terminal Facilities Lease and License Agreement LAA-8600 with Tom Bradley International Terminal Equipment Company after approval as to form by the City Attorney and approval by the Los Angeles City Council, and to further execute such papers, documents, certificates and other instruments that may be necessary in connection with execution of said Second Amended & Restated Terminal Facilities Lease and License Agreement.

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I hereby certify that this Resolution No. 27227 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, March 18, 2021.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS