



RESOLUTION NO. 26003

LAX
LA/Ontario
Van Nuys
City of Los Angeles

BE IT RESOLVED that the Board of Airport Commissioners approved First Amendment to Sublease from American Airlines, Inc., under Lease LAA-4687, to provide additional concession space and space for a lactation room in Terminal 4 at Los Angeles International Airport, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

Eric Garcetti
Mayor
**Board of Airport
Commissioners**

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

Sean O. Burton
President

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

Valeria C. Velasco
Vice President

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

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.

Deborah Flint
Chief Executive Officer

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I hereby certify that this Resolution No. 26003 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 16, 2016.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





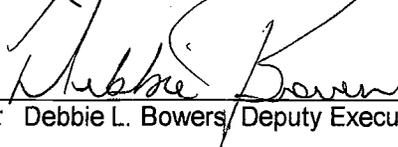
Los Angeles World Airports

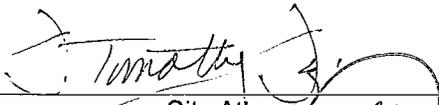
Item Number **12**

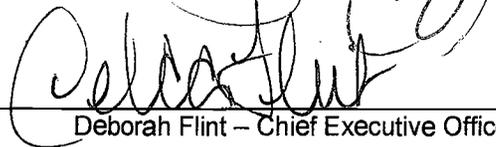
REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Approved by: 
Dave Jones, Director Airline Property and Concession Services

Reviewed by: 
Debbie L. Bowers, Deputy Executive Director


City Attorney


Deborah Flint – Chief Executive Officer

Meeting Date:

6/16/2016

CAO Review:

- Completed
- Pending
- N/A

Reviewed for	Date	Approval Status	By
Capital Budget	5/19/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	NE
Operating Budget	5/12/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	5/18/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	AE
Procurement	05/17/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	5/22/16	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

SUBJECT: First Amendment to Sublease with American Airlines, Inc.

Approve the First Amendment to the Sublease with American Airlines, Inc. for premises to provide additional concession space and space for a lactation room in Terminal 4 at Los Angeles International Airport, which will result in a rent credit to American Airlines, Inc. of up to \$2,400,000 the first year and \$27,700,000 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 Amendment to the Sublease for additional premises in Terminal 4 at Los Angeles International Airport with American Airlines, Inc.

4. AUTHORIZE the Chief Executive Officer to execute the proposed Amendment to the Sublease with American Airlines, Inc., after approval as to form by City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Improve guest experience in Terminal 4 by providing a lactation room and the opportunity to increase concession space.

2. Prior Related Actions

- July 25, 1984 – Board Order No. AO-3689 (Lease No. LAA-4687)
The Board of Airport Commissioners (Board) approved a 40-year Terminal Facilities Lease (Lease) with American Airlines, Inc. (American) for space in Terminal 4 at Los Angeles International Airport.
- November 13, 2001 – Board Order No. AO-4793 (Lease No. LAA-4687A)
The Board approved the First Amendment to the Lease to update the demised premises upon completion of new improvements, set rental rates, and allow for American to finance certain improvements to Terminal 4.
- January 15, 2015 – Resolution No. 25613
The Board approved a Sublease whereby American provided 7,396 square feet needed for the Terminal 4 Connector and to provide additional concession space in Terminal 4.

3. Current Action

The proposed First Amendment to the Sublease (Amendment) will provide 65 square feet required for a lactation room and the option to increase subleased space by up to 11,983 square feet for potential new concession areas, raising the total space potentially subleased to 19,444 square feet. Los Angeles World Airports (LAWA) will compensate American by providing a rent credit of up to \$2,400,000 the first full year. The credit is calculated as the sum of (a) the amount of square footage rent American pays to LAWA pursuant to the Lease, plus (b) American's monthly Bond payment per square foot multiplied by the subleased premises. This amount will adjust based on Rental Rates changes pursuant to the Lease and the bond payment schedule.

The following is a summary in table format of the Amendment:

Description	Current Sublease		Proposed Amendment	
Term:				
Commencement:	Upon execution		Upon execution	
Expiration:	December 4, 2024, unless the Terminal 4 Lease is terminated early (co-terminus with the Terminal 4 Lease).		December 4, 2024, unless the Terminal 4 Lease is terminated early (co-terminus with the Terminal 4 Lease).	
Premises:	7,396 SF		Up to 19,444 SF	
	<u>Estimated (\$/SF/year)</u>	<u>Estimated Annual Credit</u>	<u>Estimated (\$/SF/year)</u>	<u>Estimated Annual Credit</u>
Base Rent:	\$4.63	\$34,243	\$14.969	\$291,057
Maintenance and Operations Charges:	\$52.51	\$388,364	\$58.95	\$1,146,224
Debt Service Allocation:	\$47.09	\$348,278	\$48.1440	\$936,112
Total Estimated Annual Rent Credit:		\$770,885		\$2,373,393

Action Requested

Staff requests the Board approve the proposed Amendment and authorize the Chief Executive Officer to execute the Amendment upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

Fiscal Impact

Approval of this Amendment will incur direct fiscal impact on the LAWA operating budget of up to \$2,400,000 the first year. LAWA currently receives \$980,000 in guaranteed concessions revenue from the initial space subleased, and anticipates that a minimum of \$2,000,000 in additional revenue may be earned if all the potential space is subleased from American and converted to new concessions.

4. Alternatives Considered

- **Take No Action**

Not amending the Sublease would prevent adding space to the concession program and providing the required lactation room in Terminal 4.

- **Lease Amendment**

LAWA considered negotiating with American to amend their Terminal 4 Lease to incorporate the additional space. However, the time required to negotiate an amendment to the Terminal 4 Lease would create delays due to the prior bond financing arrangement tied to

the Terminal 4 Lease. Amending the Sublease is a more efficient path to provide the additional space to LAWA.

APPROPRIATIONS:

No appropriation is required in the Operating Budget since this item will be recorded as a reduction in lease payments from American.

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 item is 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 Service Contractor Worker Retention and Living Wage Ordinances. American Airlines remains subject to the provisions of the Service Contractor Worker Retention and Living Wage Ordinances.
5. This action is not subject to the provisions of the SBE Program.
6. This action is not subject to the provisions of the Affirmative Action Program. American Airlines remains subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate. American Airlines has been assigned Business Tax Registration Certificate number 0000662086 -0001 -1.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance. American Airlines remains 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. American Airlines has approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program. American Airlines remains subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance. American Airlines remains subject to the provisions of the Equal Benefits Ordinance.

13. This action is not subject to the provisions of the First Source Hiring Program. American Airlines remains 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. American Airlines is exempt from the provisions of the Bidder Contributions CEC Form 55.