



Item Number
18

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver: Marla Bleavins
Marla Bleavins (May 22, 2025 10:58 PDT)
Marla Bleavins, Chief Airport Administrative Officer

Reviewer: Brian C. Ostler
Brian C. Ostler, City Attorney

John Ackerman
John Ackerman, Chief Executive Officer

Meeting Date

6/5/2025

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	5/15/2025	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	4/15/2025	<input checked="" type="checkbox"/> Y	AG
Procurement	4/14/2025	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	JL
Guest Experience	4/23/2025	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	4/21/2025	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to adopt the following report and approve the proposed Sixth Amendment to the Terminal Facilities Lease and License Agreement LAA-8757 with Southwest Airlines to extend the term to June 30, 2035, covering premises in Terminal 1 at Los Angeles International Airport, that will generate at least \$51,278,000 in revenue in the first year and \$481,836,000 over the term of the agreement, excluding rent escalation.

DISCUSSION

1. Purpose

The proposed amendment will coincide with the term of the Los Angeles International Airport (LAX) Rate Agreement; implement Los Angeles World Airports' (LAWA) new airport-wide Gate Use Protocols (GUP); establish rent credits to compensate Southwest Airlines (Southwest) for allowing other airlines to use its leased equipment and space while supporting LAWA's overall airport-wide common-use rates and charges structure; and adjust premises to accommodate JetBlue's temporary use of Terminal 1.

2. Prior Related Actions/History of Board Actions

- January 14, 2013 – Resolution No. 25009 (LAA-8757)

The Board of Airport Commissioners (Board) approved an eleven-year and three-month Terminal Facilities Lease and License Agreement (Lease) with Southwest that contemplated approximately \$400 million in terminal renovations to be constructed by Southwest and obligated LAWA to acquire \$384 million of these improvements through cash purchase and rent credits upon completion.

- **April 2, 2013 – Resolution No. 25077 (LAA-8757)**

The Board authorized the Chief Executive Officer (CEO) to exercise the option to purchase from Southwest instead of issuing rent credits for certain renovations in accordance with the Lease, and approved appropriation of \$147 million from the LAX Revenue Fund.

- **May 19, 2014 – Resolution No. 25414 (LAA-8757A)**

The Board approved the First Amendment to the Lease to increase the acquisition of renovations from \$384 million to \$509.8 million for an increase in the scope of work.

- **July 13, 2017 – Resolution No. 26290 (LAA-8975)**

The Board approved a ground lease with Southwest with an option for LAWA to acquire the facilities improved to allow the construction and operation of a terminal check-in, arrival baggage claim, and bus gate facility, including a LAMP Core, at LAX that contemplated approximately \$46 million in Site Improvements and \$432.6 million in Facility Improvements.

The above option was exercised in December 2017 (Resolution No. 26398).

- **April 11, 2023 – Resolution No. 27716 (LAA-9213)**

The Board approved a Ground Lease with Southwest for approximately 702,750 square feet of land at the northeast corner of the Central Terminal Area immediately adjacent to Terminal 1 at LAX, with a term of up to 30 years, to allow for development and operation of Concourse 0, a new passenger concourse facility.

- **June 15, 2023 – Resolution No. 27762 (LAA-8757D)**

The Board authorized the CEO to provide rent credits not to exceed \$6.4 million over the remaining term of the lease for costs associated with use of the baggage system located in Terminal 1 that benefits the common-use airlines.

- **June 15, 2023 – Resolution No. 27953 (LAA-8757E)**

The Board approved the Fifth Amendment to the Lease authorizing the CEO to extend the term through June 30, 2025.

3. Background

Southwest has occupied space in Terminal 1 pursuant to the Lease since January 2013. Southwest occupies approximately 190,000 square feet of space and operates on 13 preferential use gates in the terminal. In June 2023, the Board approved a revised methodology for the calculation of rates and charges for the use of all terminal space and equipment at LAX. The revised Rate Agreement, which Southwest executed, extends through June 2035, ten years beyond the term of the Lease.

Over the past year, in consultation with airlines operating in LAX, LAWA developed a new Gate Use Protocol (GUP), which will be incorporated into LAWA's LAX Airport Rules and

Regulations. The new GUP creates a single policy that balances operational needs with comprehensive gate assignment and usage policies and clarifies the Minimum Use Requirements (MUR) for Preferential Use Gates leased to airlines, including Southwest.

In accordance with operational needs, LAWA may occasionally require common-use airlines to operate on gates that are leased to other airlines. In order for LAWA to bill the common-use airlines for usage of these facilities in a manner consistent with the rates charges for all common-use gates at LAX, LAWA staff developed a methodology to compensate leasing airlines for costs associated with the common-use airlines' use of leased equipment.

Finally, LAWA is currently renovating Terminal 5 (T5), requiring airlines operating in T5 to be temporarily relocated during construction. Staff have identified that there is space and gate availability in T1 to accommodate one of the T5 impacted airlines.

4. Current Action/Rationale

The proposed amendment updates the Lease to reflect the new GUP and will link the terms of all airline leases with the Rate Agreement and prevent conflicts over space and rates. This same term will be offered for all airline terminal leases at LAX.

The proposed amendment establishes the mechanism for LAWA to reimburse costs incurred by Southwest for equipment maintenance and other services used by common-use airlines that operate in T1. Los Angeles World Airports will provide Southwest with a rent credit—reconciled annually—for actual verified costs incurred to support these other airlines operations. For the period of August 1, 2024, to June 30, 2025, common-use airlines have used four Southwest check-in ticket counters, requiring LAWA to make a one-time rent credit of \$117,965.87 to reimburse Southwest's rental payment for the four ticket counters space during this period.

Further, LAWA and Southwest will temporarily accommodate JetBlue's operation in T1 to facilitate the T5 Renovation Project. The proposed amendment requires specific spaces, including passenger gates, ticket counters, airline support space and gates that will be temporarily removed from the Lease. These spaces will be assigned to JetBlue pursuant to the LAX Passenger Terminal Tariff and JetBlue will be billed directly by LAWA for use of these spaces in accordance with Board-approved rates. Southwest has the option of taking back all or any portion of the removed space upon completion of the T5 Renovation Project or December 31, 2028, whichever is sooner.

Lastly, the proposed amendment clarifies that alterations in tenant leased areas must adhere to LAWA Design and Construction Handbook, and that for design guidelines regarding furniture, decor, and similar matters in the tenant leased area, LAWA will consult with the airlines before implementation.

5. Fiscal Impact

The proposed amendment will result in annual Terminal Buildings Rent of \$51,278,000 in the first year and \$481,836,000 for the proposed lease extension, excluding rent escalation.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended. If this amendment is not approved, the Lease will expire on June 30, 2025, and may hinder Southwest's operations, thereby potentially resulting in loss of rental income for LAWA, delayed implementation of the airport-wide GUP, and adversely affecting the T5 renovation project.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

The Board is hereby requested to adopt staff's determination that this item, involving 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 California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines. In addition, this item, as a continuing administrative, maintenance and personnel -related activity, is administratively exempt from CEQA requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.

The Board is hereby further requested to authorize the Chief Executive Officer, or designee, to execute the Sixth Amendment to the Terminal Facilities Lease and License Agreement with Southwest Airlines subject to approval by the Los Angeles City Council and approval as to form by the City Attorney.

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.