

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

Your **TRADE, COMMERCE, AND TOURISM** Committee

**reports as follows:**

CATEGORICAL EXEMPTION and TRADE, COMMERCE, AND TOURISM COMMITTEE REPORT relative to the proposed Lease with Southwest Airlines Company covering premises located in Terminal 1 at Los Angeles International Airport (LAX).

Recommendations for Council action:

1. ADOPT the determination by the Board of Airport Commissioners (Board) that the proposed action is exempt under the California Environmental Quality Act (CEQA) as provided in Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines.
2. APPROVE the Lease with Southwest Airlines Company at LAX.
3. CONCUR with the Board's action of January 14, 2013 by Resolution No. 25009 authorizing the Executive Director to execute the Lease with Southwest Airlines Company covering premises located in Terminal 1 at Los Angeles International Airport.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of the proposed Terminal Facilities Lease and License Agreement with Southwest Airlines Co., will result in first-year rental revenues to Los Angeles World Airports (LAWA) of \$9,523,000; approximately \$400,155,000 in renovations made by Southwest Airlines to Terminal 1 at LAX, \$16,147,000 of which will be proprietary renovations to be paid by the airline; and up to \$384,008,000 in rental credits or acquisition costs paid to Southwest Airlines by LAWA. In addition, reimbursements to LAWA of approximately \$29,600,000 are anticipated from the Transportation Security Administration for costs associated with implementing new checked baggage inspection systems in Terminal 1. While the renovation costs will be paid by Southwest Airlines, some improvements will be reimbursed through rental credits while others will be purchased outright by LAWA. As a consequence of the above, LAWA is requesting that the Board allocate a not-to-exceed amount of \$222,422,000 from the LAX Revenue Fund to WBS (Work Breakdown Structure or "cost center") Element 1.13.11-700 (Terminal 1 Renovations) as needed to reimburse Southwest Airlines and/or provide rental credits for Terminal 1 renovations. This project, the proposed Terminal Facilities Lease and License Agreement, and the related Settlement Agreement comply with the Department of Airports adopted Financial Policies. Approval of the Terminal Facilities Lease and License Agreement and the Settlement Agreement will have no impact on the City's General Fund.

Community Impact Statement: None submitted.

**TIME LIMIT FILE – MARCH 9, 2013**

**(LAST DAY FOR COUNCIL ACTION – MARCH 6, 2013)**

SUMMARY

At a special meeting held on February 25, 2013, your Trade, Commerce and Tourism Committee considered a LAWA transmittal relative to a ten-year Airline Terminal Facilities Lease and License Agreement with Southwest Airlines Company for the use of 116,270 square feet of space on the Lease Commencement Date, in LAX Terminal 1. The CAO reports that with the approval of the Terminal Facilities Lease and License Agreement, LAWA will be able to enter into a related Settlement Agreement that will resolve all outstanding litigation between Southwest Airlines and LAWA for issues involving disputed terminal charges. The proposed lease space in and renovations to Terminal 1 will include improving the passenger security screening checkpoint; relocating US Airways to Terminal 3 to facilitate Terminal 1 improvements; designing and implementing a new inline Checked Baggage Inspection System and baggage sorting system; upgrading 12 passenger “hold rooms” and associated building infrastructure; refurbishing the arrival and baggage claim area; replacing passenger boarding bridges; renovating airline support office space; and replacing sections of aircraft parking area paving and associated fuel hydrant pit locations. The renovation costs will be paid by Southwest Airlines; however, some improvements will be reimbursed through rental credits while others will be purchased outright by LAWA. The proposed lease is expected to begin in February 2013 and conclude on June 30, 2024. An opportunity for public comment was held. After a brief discussion, the Committee moved to approve the recommendations contained in the transmittal.

This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

TRADE, COMMERCE, AND TOURISM COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
LABONGE:	YES
ROSENDAHL:	YES
BUSCAINO:	YES

ME  
CD 11  
[13-0171](#)\_rpt\_tct\_2-25-13

**Not Official Until Council Acts**