

ADMINISTRATIVE EXEMPTION and TRADE, TRAVEL, AND TOURISM COMMITTEE REPORT relative to the Third Amendment to the Los Angeles World Airports (LAWA) Terminal Facilities Lease and License Agreement with Delta Air Lines, Inc. (Delta).

Recommendations for Council action:

1. ADOPT the determination by the Board of Airport Commissioners (BOAC) that the proposed action is administratively exempt under the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2.i of the Los Angeles City CEQA Guidelines.
2. APPROVE the Third Amendment to LAWA Terminal Facilities Lease and License Agreement LAA-8939 with Delta to adjust the airline's demised premises at Los Angeles International Airport (LAX) and to reduce the maximum acquisition amount contemplated in the agreement by \$20 million, from \$1.76 billion to \$1.74 billion.
3. CONCUR with the action taken by the BOAC on November 19, 2020, by Resolution No. 27149, authorizing the Chief Executive Officer, LAWA, to execute the Third Amendment to Terminal Facilities Lease and License Agreement LAA-8939 with Delta.

Fiscal Impact Statement: The BOAC reports that this action will not impact the General Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE – DECEMBER 21, 2020

(LAST DAY FOR COUNCIL ACTION – DECEMBER 9, 2020)

SUMMARY

In a report to BOAC dated November 19, 2020, LAWA requests approval of the Third Amendment to LAWA Terminal Facilities Lease and License Agreement LAA-8939 with Delta to adjust the airline's demised premises at LAX and to reduce the maximum acquisition amount contemplated in the agreement by \$20 million, from \$1.76 billion to \$1.74 billion. LAWA states that this action will facilitate construction of a secure connector between the Tom Bradley International Terminal and Terminals 2 and 3, in addition to making additional improvements and enhancements to Terminals 2 and 3.

Delta and LAWA worked together to develop an alternative approach to the program to take advantage of the decrease in passenger volume. This alternative approach involved acceleration of the construction to realize a savings of approximately 18 months on the overall schedule. The new target completion date for the entire program is now the second quarter of 2023. This time savings resulted in cost savings of approximately \$60 million which the team placed back into the program in the form of added scope that was previously removed based on value engineering that was done to make up for construction cost escalations. Thus, the team was able to add back this additional scope without increasing the overall program cost to LAWA.

LAWA goes on to report that the proposed Third Amendment to the terminal facilities lease and license agreement makes changes to the demised premises. When the lease was originally negotiated, Delta estimated they would occupy approximately 451,000 square feet in the new facility. However, after refining the design, Delta and LAWA now estimate that the facility will be smaller and Delta will occupy approximately 439,992 square feet. The original lease contemplated an annual step increase of space to incrementally add premises that Delta rented every year. Due to the decreased size of the end state facility, LAWA and Delta have agreed to adjust the annual premises adjustment starting on the third anniversary, which aligns with the current year, to reduce the demised premises. On November 19, 2020, BOAC approved the proposed Third Amendment to the LAWA agreement with Delta.

At its meeting held December 1, 2020, the Trade, Travel, and Tourism Committee recommended that Council approve the proposed contract amendment, as recommended by BOAC.

Respectfully Submitted,

TRADE, TRAVEL, AND TOURISM COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
BUSCAINO:	YES
BONIN:	YES
KREKORIAN:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-