
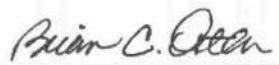





Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:  Dave Jones, Deputy Executive Director Commercial Development	Meeting Date 3/21/2024			
	Needs Council Approval: <input checked="" type="checkbox"/> Y			
	Reviewed for/by	Date	Approval Status	By
Reviewer:  Brian C. Ostler, City Attorney  John Ackerman, Chief Executive Officer	Finance	1/9/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
	CEQA	12/26/2023	<input checked="" type="checkbox"/> Y	MD
	Procurement	1/5/2024	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	LK
	Guest Experience	12/8/2023	<input checked="" type="checkbox"/> Y	TB
	Strategic Planning	12/7/2023	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request for approval of the proposed amendments to the In-Terminals Concession Agreements in Terminals 4, 5, 7, and 8 at Los Angeles International Airport with Areas USA LAX, LLC; Crews Hospitality, LLC; DN/Dakota JME; Host International, Inc.; and Hudson Group to extend the term from June 30, 2025 to June 30, 2029, and require certain refurbishments be completed within the first year of the extended 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. FIND that the use of competitive bidding for four-year extensions to the In-Terminal Concession Agreements in Terminals 4, 5, 7, and 8 would be undesirable and impractical under Section 10.15(a)(10) of the City of Los Angeles Administrative Code and Section 371(e)(10) of the Los Angeles City Charter.
4. APPROVE the proposed 14 amendments to the In-Terminals Concession Agreements, listed in Attachment 1, in Terminals 4, 5, 7, and 8 at Los Angeles International Airport.
5. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed 14 amendments to the In-Terminal Concession Agreements, listed in Attachment 1, in

Terminals 4, 5, 7, and 8 at Los Angeles International Airport, subject to approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff request approval to amend the In-Terminal Concession Agreements in Terminals 4, 5, 7, and 8 at Los Angeles International Airport (LAX) to extend these agreements by four years from June 30, 2025, to June 30, 2029. Extending these agreements will postpone the replacement of all concession locations in these facilities until after the 2026 FIFA World Cup (2026 World Cup) and 2028 Summer Olympic and Paralympic Games (2028 Summer Olympics). Deferring the concession program redevelopment will provide guests access to consistent offerings that would otherwise be impacted if the concession program was redeveloped during this period.

2. Prior Related Actions/History of Board Actions

- **October 1, 2020 – Resolution No. 27118**
The Board of Airport Commissioners (Board) approved Second Letter Agreements for the Concession Relief Program which included: (1) abating Minimum Annual Guarantees through June 30, 2021, for Concession Agreements; (2) deferring payment for storage fees through December 31, 2020; (3) extending current expiration dates for certain In-Terminal Concession Agreements and the Terminal Media Operating Agreement by 24 months; and (4) authorizing the Chief Executive Officer (CEO) to have two 12-month options to delay required refurbishment dates.
- **December 10, 2020 – Resolution No. 27170**
The Board approved resubmittal of the Second Letter Agreement for Host International, Inc. (Host) after verified compliance with Living Wage Ordinance requirements. The Second Letter Agreements for LAA-8586 and LAA-8587 covered the Concessions Rent Relief Program including (1) abating Minimum Annual Guarantees through June 30, 2021, for Concession Agreements; (2) deferring payment for storage fees through December 31, 2020; (3) extending current expiration dates for certain In-Terminal Concession Agreements and the Terminal Media Operating Agreement by 24 months; and (4) authorizing the CEO to have two 12-month options to delay required refurbishment dates.
- **July 8, 2021 – Resolution No. 27297**
The Board authorized the acceptance of the third round of economic relief funds provided from the American Rescue Plan Act of 2021.
- **October 2, 2021 – Resolution No. 27363 (LAA-8549, LAA-8589, LAA-8546, LAA-8547, LAA-8548, LAA-8843, LAA-8864, LAA-8542, LAA-8550, LAA-8551, LAA-8552, and LAA-9094)**
The Board approved a third rent relief package, for concessions that were opened and conducting business at LAX, to extend the revised rent payment terms to require payment of percentage rents instead of Minimum Annual Guarantee rent, for the period July 1, 2021, through June 30, 2022, and establish new Minimum Annual Guarantee

rents effective July 1, 2022.

- **May 19, 2022, Resolution No. 27497 (LAA-8586 and LAA-8587)**

The Board approved a third rent relief package, for Host concessions units that were opened and conducting business at LAX, to extend the revised rent payment terms to require payment of percentage rents instead of Minimum Annual Guarantee rent, for the period July 1, 2021, through June 30, 2022, and establish new Minimum Annual Guarantee rents effective July 1, 2022.

- **January 18, 2024, Resolution No. 27888 (LAA-9238)**

The Board approved the award of a three (3)-year Concession Agreement to Areas USA LAX LLC, covering the management and operation of temporary food, beverage, and retail concessions in Terminal 4 at LAX.

3. Background

Los Angeles World Airports currently operates two concessions models at LAX: (1) a master concession/developer model where LAWA's Terminal Commercial Manager (TCM), URW Airports, manages 110 food/beverage and retail locations in Terminals 1, 2, 3, 6, and Tom Bradley International Terminal (TBIT) through subleases with concession operators; and (2) a direct concession model where LAWA has 14 concession agreements directly with five concession operators for 48 food/beverage and retail locations in Terminals 4, 5, 7, and 8. The proposed amendments are related only to these 14 direct concession agreements in Terminals 4, 5, 7, and 8, which account for approximately 40 percent of LAX concessions program.

Thirteen of the fourteen direct concession agreements were awarded in 2010 to Areas USA LAX, LLC; DN/Dakota JME; Host International, Inc.; and Hudson Group. In 2020, the fourteenth concession agreement was awarded to Crews Hospitality, LLC (see Attachment 1). The Terminal 4, 5, 7, and 8 concessions program has been very successful with an average Airport Concession Disadvantaged Business Enterprise (ACDBE) participation of 26 percent for retail locations and 18.6 percent for food and beverage locations. In addition, many of the concepts are City of Los Angeles and Southern California iconic brands such as Randy's Doughnuts, Hilltop Coffee, Campanile, The Farmers Market, Homeboy, Rock & Brews, and Engine Company No. 28.

The agreements were originally set to expire in June of 2023 but were extended for two years due to the economic impacts of the COVID-19 pandemic. Due to this extension, there is now two years' less time available to release the concessions spaces in these terminals before the 2026 World Cup and 2028 Summer Olympics take place in Los Angeles.

4. Current Action/Rationale

To provide continuity of concession services to our guests and airline partners in Terminals 4, 5, 7, and 8 through the 2026 World Cup and the 2028 Olympics, staff propose to extend the agreements by four years from June 30, 2025, to June 30, 2029. The existing agreements require concessionaires to perform mid-term refurbishment to each location at a value of no less than 20 percent of the initial capital investment. The proposed amendments require that concessionaires complete any mid-term refurbishment work that was deferred due to COVID-19 by the end of the first year of the extended term.

To support the construction schedule of the American Airlines Terminal Improvement Project, which demolishes major portions of Terminal 4, the proposed amendments will allow locations impacted by the construction to be terminated with 180-days advance written notice at no cost to LAWA. To date, seven concession units in Terminal 4 have closed, and an additional eight units will close during the construction phasing, leaving only one full-service food and beverage unit and two retail units open in the facility.

To ensure appropriate level of concession services in Terminal 4 during this construction project, the Board approved a temporary concession agreement on January 18, 2024 to provide food, beverage, and retail units in the impacted parts of the terminal and supplement the existing concessions units that will remain open in Terminal 4. In addition, staff are preparing a Request for Proposals (RFP) for the new concessions opportunities that will be available when the Terminal 4 renovations are complete. Staff anticipate this RFP will be released by Q3 2024.

5. Fiscal Impact

Approval of the proposed amendments will generate estimated gross revenue of \$160 million over the extended term.

6. Alternatives Considered

- ***Take No Action***

Taking no action will result in the existing concession agreements for Terminals 4, 5, 7, and 8 terminating June 30, 2025. Termination of these agreements will require LAWA to conduct a competitive process to replace all concession spaces in these terminals and will result in negative impacts to guests. In addition, there is a risk that the concessions in these facilities will not be in place for the 2026 World Cup and 2028 Olympics.

7. How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Provide Exceptional Guest Experiences: Improve customer satisfaction.* Ensuring the continuity of concessions services supports ongoing traveler needs and mitigates an otherwise significant impact to services that will, in turn, impose significant disruptions upon our guests. Access to expected amenities helps ensure that our guests have access to the best experience possible.

APPROPRIATIONS

No appropriation of funds is required for this action.

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 California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.

2. The proposed document(s) is/are 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. Areas USA LAX, LLC; Crews Hospitality, LLC; DN/Dakota JME; Host International, Inc.; and Hudson Group, herein referenced to as "Concessionaires," are required by contract to comply with the provisions of the Worker Retention and/or Living Wage Ordinances.
5. Procurement Services reviewed these actions and established Airport Concessions Disadvantaged Business Enterprise (ACDBE) levels of participation for each contract. Concessionaires are required by contract to comply with the participation levels as committed to, respective to each contract.
6. Concessionaires are required by contract to comply with the provisions of the Affirmative Action Program.
7. Concessionaires have been assigned Business Tax Registration Certificate (BTRC) Numbers, as listed below:

Vendor	BTRC
Areas USA LAX, LLC	0002535550
Crews Hospitality, LLC	0000099582
DN/Dakota JME	0002837505
Host International, Inc.	0000605063-0001-3
Hudson Group	0002620755-0009-7

8. Concessionaires are required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Concessionaires must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to execution of the Amendment.
10. As these are concession agreements, the CAO has determined that this action is exempt from the provisions of Charter Section 1022 (Use of Independent Contractor).
11. Concessionaires have submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Concessionaires have been determined by Public Works, Office of Contract Compliance to be in compliance with the provisions of the Equal Benefits Ordinance.
13. Concessionaires will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Concessionaires have submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Concessionaires have submitted the Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This item is not subject to the provisions of the Iran Contracting Act.

Attachment 1

Concession Extension Amendments

Board File Number	Concessionaire
LAA-8546A Fifth Amendment	Areas USA LAX, LLC
LAA-8547A Fifth Amendment	Areas USA LAX, LLC
LAA-8548A Fifth Amendment	Areas USA LAX, LLC
LAA-8843 Fourth Amendment	Areas USA LAX, LLC
LAA-8964 Fourth Amendment	Areas USA LAX, LLC
LAA-9094 Second Amendment	Crews Hospitality
LAA-8549 Fifth Amendment	DN Dakota JME LAX 8549 Pucks, LLX
LAA-8589 Fifth Amendment	DN Dakota JME LAX 8589 Farmers, LLX
LAA-8586A Fifth Amendment	Host International, Inc.
LAA-8587A Sixth Amendment	Host International, Inc.
LAA-8542A Fifth Amendment	LAX Retail Magic 3-4 Joint Venture
LAA-8552A Fifth Amendment	LAX Retail Magic 3-4 Joint Venture
LAA-8550A Fifth Amendment	Hudson-Magic Johnson Enterprises-Concourse Ventures, LLC
LAA-8551A Fifth Amendment	LAX Retail Magic 2 Joint Venture