

RESOLUTION NO. 28175

WHEREAS, on recommendation of Management, there were presented for approval, Tenth Amendment to Concession Agreement LAA-8613 and Eighth Amendment to Concession Agreement LAA-8640, both with URW Airports, LLC, to extend their respective terms by four (4) years, require improvements in the amount of \$11,000,000 prior to June 2028, and stabilize the Minimum Annual Guarantee rent; and

WHEREAS, URW Airports, LLC (URW) has managed concessions in Terminals 1, 2, 3, 6, and the Tom Bradley International Terminal since 2012. Passenger demographics in several terminals have since changed due to airline relocations, and post-pandemic passenger traffic levels have declined overall. In addition, inflationary pressures, including goods and labor costs have grown much more rapidly than was projected when the contracts were executed; and

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Chief Executive Officer

WHEREAS, in response to the 2028 Olympics, Los Angeles World Airports (LAWA) has extended concessions in Terminals 4, 5, 7 and 8 to allow for consistent operations. In September 2024, URW approached LAWA with a proposal to (1) make improvements to concession areas covered by its agreements, refreshing the guest experience in advance of the Olympics; (2) stabilize the Minimum Annual Guarantee (MAG) to support the economics for concessionaires in response to the impacts of inflation and declining passenger traffic; and (3) revise the Management Fee paid to LAWA to be based on its performance instead of a flat fee that increases annually by CPI; and

WHEREAS, the Amendments were negotiated to ensure that the concessions in the URW-managed terminals will be upgraded prior to the 2028 Olympics and will be provided enough term for the concessionaires and URW to amortize the new investments. The Amendments ensure that URW's required \$11 million investment be completed by January 31, 2028. The Amendments provide an option for URW to invest additional capital up to \$12 million, which will trigger an additional term of one month for each \$500,000 invested, resulting in up to 24 months additional term. The Amendments will also stabilize the MAG rent paid to LAWA for a period of 36 months to reflect depressed sales and higher costs. This change will not affect the Percentage Rent provision, which will remain in place; and

WHEREAS, to provide equity to LAWA, the Terminal Commercial Manager (TCM) Management Fee that LAWA pays to URW will also be revised to remain flat for 36 months before being reinstated July 1, 2028. At that point, the TCM Management Fee will be calculated annually as 1.15% of the prior year's gross concession sales but will never be less than \$2 million; and

WHEREAS, to guarantee a continued revenue stream, the Amendments allow for the assignment of concession agreements to LAWA, enabling URW to give term beyond the expiration of the agreement allowing LAWA to retain the concessionaires once approved by the Board of Airport Commissioners (Board). In addition, to protect LAWA's rights to maintain the exiting concessions program, the Amendments prohibit URW from transferring the agreements without approval by the Board. All other terms of the agreements remain unchanged; and

WHEREAS, actions taken on this item by the Board will become final pursuant to the provisions of Los Angeles City Charter Section 606;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the staff report; further adopted 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 the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; approved the Tenth Amendment to Concession Agreement LAA-8613 and Eighth Amendment to Concession Agreement LAA-8640, both with URW Airports, LLC, to extend their respective terms by four (4) years, require improvements in the amount of \$11,000,000 prior to June 2028, and stabilize the Minimum Annual Guarantee rent; and authorized the Chief Executive Officer, or designee, to execute said Tenth Amendment to Concession Agreement LAA-8613 and Eighth Amendment to Concession Agreement LAA-8640, both with URW Airports, LLC subject to approval by the Los Angeles City Council and approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 28175 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, May 15, 2025.



Esther N. Alailima Semeatu – Assistant Secretary
BOARD OF AIRPORT COMMISSIONERS