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Item number
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Report to the BOARD OF AIRPORT COMMISSIONERS

Approver: Marla Bleavins
Marla Bleavins (May 8, 2025 10:58 PDT)
Marla Bleavins, Chief Airport Administrative Officer

Meeting Date
5/15/2025

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

Needs Council Approval: Y

John Ackerman
John Ackerman, Chief Executive Officer

Reviewed for/by	Date	Approval Status	By
Finance	4/24/2025	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	3/19/2025	<input checked="" type="checkbox"/> Y	AG
Procurement	3/20/2025	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	JL
Guest Experience	3/19/2025	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	3/24/2025	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to adopt the following report and approve the Tenth Amendment to Concession Agreement LAA-8613 and the Eighth Amendment to Concession Agreement LAA-8640, both with URW Airports, LLC, to extend both agreements' terms by four years; to require improvements in the amount of \$11 million prior to June of 2028; and to stabilize the Minimum Annual Guarantee rent.

DISCUSSION

1. Purpose

The proposed amendments extend both agreements by four years, from June 30, 2034, to June 30, 2038, with the option for additional term based on additional investment. The amendments also require URW Airports LLC (URW) to invest \$11 million to improve guest experience in Terminals 1, 2, 3, 6 and Tom Bradley International Terminal (TBIT) prior to the Los Angeles 2028 Olympic and Paralympic Games (2028 Olympics). In addition, the proposed amendments will stabilize the Minimum Annual Guarantee (MAG) rent to provide viable economic terms for operating concessionaires and revise the Management Fee paid to URW to be based on sales performance instead of a flat fee.

2. Prior Related Actions/History of Board Actions

- **January 23, 2012 – Resolution No. 24670 (LAA-8613)**

The Board of Airport Commissioners (Board) approved the award of a Terminal Commercial Manager (TCM) Concession Agreement to Westfield Concession Management, LLC (Westfield) for a term of 17 years, comprised of a two-year development period and a 15-year operating period, that required Westfield to develop, lease and manage convenience retail, specialty retail, food and beverage and certain passenger services in TBIT and Terminal 2 (T2).

A similar agreement (Resolution No. 24819) was approved in June 2012 for Terminals 1, 3, and 6.

- **January 15, 2015 – Resolution No. 25616 (LAA-8613A)**

The Board approved the First Amendment to extend the term for premises in TBIT by three years and T2 for six months and remove the option to redevelop the Theme Building. On November 19, 2015, LAWA consented to TCM's name change from Westfield Concession Management, LLC to Westfield Airports, LLC.

- **April 21, 2016 – Resolution No. 25935 (LAA-8640A)**

The Board approved the First Amendment to extend the term for the premises in T1 by three years and T6 by one year and three months.

- **April 21, 2016 - Resolution No. 25936 (LAA-8613B)**

The Board approved the Second Amendment to extend the term for the premises in T2 for two years and six months, added the maintenance of Custom Architectural Features and updated administrative terms.

- **October 5, 2017 – Resolution No. 26355 (LAA-8613C)**

The Board approved the Third Amendment to add up to 30,000 square feet of concession space in the Midfield Satellite Concourse (MSC) to the Premises. On November 8, 2018, Los Angeles World Airports (LAWA) consented to TCM's name change from Westfield Airports, LLC to URW Airports, LLC (URW).

- **April 16, 2020 – Resolution No. 27003 (LAA-8640B and LAA-8613D)**

The Board approved the Second Amendment to LAA-8640 and the Fourth Amendment to LAA-8613, a rent relief package for the period April to June 2020 that included waiver of the Minimum Annual Guarantee (MAG) and deferral of percentage rent payments payable in six monthly installments beginning July 1, 2020.

- **October 1, 2020 – Resolution No. 27118 ((LAA-8640C and LAA-8613E)**

The Board approved the Third Amendment to LAA-8640 and the Fifth Amendment to LAA-8613, a rent relief package that continued to waive the MAG until June 30, 2021; deferred storage rent through December 31, 2020, which was to be paid back starting January 1, 2021; and extended in-terminal concession agreements by 24 months.

- **April 7, 2021 – Resolution No. 27208 (LAA-8640D and LAA-8613F)**

The Board approved the Fourth Amendment to LAA-8640 and the Sixth Amendment to LAA-8613 which waived late fees totaling \$87,885.54 and transferred funds for Initial Non-Premises Improvements to support concession infrastructure in the MSC.

- **December 8, 2021 – Resolution No. 27363 (LAA-8640E and LAA-8613G)**

The Board approved the Fifth Amendment to LAA-8640 and the Seventh Amendment to LAA-8613 which suspended the MAG rent from July 1, 2021, to June 30, 2022, and required payment of rent based on percentage of gross sales; and reinstated the MAG rent effective July 1, 2022, based on the prior year's rent payments or a temporary MAG calculated by multiplying the pre-COVID MAG by a ratio of the current passenger levels to pre-COVID passenger levels.

- **March 2, 2023 – Resolution No. 27691 (LAA-8640F and LAA-8613H)**

The Board approved the Sixth Amendment to LAA-8640 and the Eighth Amendment to LAA-8613 which allowed URW to structure more flexible short-term concession opportunities, the ability to return unusable spaces, and enter into a limited duty-free concession agreement in TBIT.

- **December 12, 2024 – Resolution No. 28084 (LAA-8640G and LAA-8613I)**

The Board approved the Seventh Amendment to LAA-8640 and the Ninth Amendment to LAA-8613 which adopted the Los Angeles International Airport and Van Nuys Airport Concessions Standard Operating Procedures document which includes a new Pricing Policy.

3. Background

URW Airports, LLC has managed concessions in Terminals 1, 2, 3, 6, and TBIT 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.

In response to the 2028 Olympics, 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 their agreements, refreshing the guest experience in advance of the Olympics; (2) to stabilize the MAG to support the economics for concessionaires in response to the impacts of inflation and declining passenger traffic; and (3) to revise the Management Fee paid to LAWA to be based on their performance instead of a flat fee that increases annually by CPI.

4. Current Action/Rationale

The proposed 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 these new investments. The proposed amendments ensure that URW's required \$11 million investment be completed by January 31, 2028. The proposed amendment provides 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 proposed 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

To provide equity to LAWA, the 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.

To guarantee a continued revenue stream, the proposed 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. In addition, to protect LAWA's rights to maintain the exiting concessions program, the proposed amendments prohibit URW from transferring the Agreements without approval by the Board. All other terms of the Agreements remain unchanged.

5. Fiscal Impact

As a result of the MAG stabilization to provide viable economic terms for operating concessionaires, approval of the proposed amendments will result in a revenue decrease of approximately \$10 million annually.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended and may negatively impact LAWA's ability to deliver upgraded concessions and an improved guest experience prior to the 2028 Olympics.

APPROPRIATIONS

No appropriations needed for this action

STANDARD PROVISIONS

The Board is hereby requested to adopt staff 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.

The Board is hereby further requested to authorize the Chief Executive Officer, or designee, to execute the Tenth Amendment to Concession Agreement LAA-8613 and the 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.

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.