







Los Angeles World Airports

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Item Number
3

 <u>Lisa De Niscia (Jan 27, 2022 14:28 PST)</u> Approved by: Lisa De Niscia, Management Analyst		<u>Meeting Date:</u> 2/3/2022																									
 <u>Jacob Adams (Jan 27, 2022 14:43 PST)</u> Reviewed by: Jake Adams, Deputy Executive Director		<u>CAO Review:</u> <div style="display: flex; align-items: center;"> <input type="checkbox"/> Completed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> N/A </div>																									
 <u>Brian Ostler (Jan 27, 2022 16:02 PST)</u> Brian C. Ostler, City Attorney		<table border="1"> <thead> <tr> <th>Reviewed for</th> <th>Date</th> <th>Approval Status</th> <th>By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>1/21/2022</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>JS</td> </tr> <tr> <td>CEQA</td> <td>1/4/2022</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>VW</td> </tr> <tr> <td>Procurement</td> <td>1/3/2022</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond</td> <td>QM</td> </tr> <tr> <td>Guest Experience</td> <td>1/19/2022</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>12/29/2021</td> <td><input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA</td> <td>KC</td> </tr> </tbody> </table>		Reviewed for	Date	Approval Status	By	Finance	1/21/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS	CEQA	1/4/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW	Procurement	1/3/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	QM	Guest Experience	1/19/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB	Strategic Planning	12/29/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA	KC
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 <u>Justin Erbacci (Jan 27, 2022 17:57 PST)</u> Justin Erbacci, Chief Executive Officer																											

SUBJECT

Request to approve an appropriation of capital funds to Contract No. DA-5322 with LA Gateway Partners in the not-to-exceed amount of \$37,826,092 to replenish Owner Project Contingency for the Landside Access Modernization Program's Consolidated Rent-a-Car Facility Project at Los Angeles International Airport.

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 II, Section 2.i. of the Los Angeles City CEQA Guidelines.
3. APPROPRIATE funds to Contract No. DA-5322 with LA Gateway Partners in the not-to-exceed amount of \$37,826,092 to replenish the Owner's Project Contingency, upon approval by Los Angeles City Council.

DISCUSSION

1. Purpose

Staff is requesting an appropriation of additional capital funds in the not-to-exceed amount of \$37,826,092 to replenish funds spent from the Consolidated Rent-a-Car (ConRAC) Facility Owner Project Contingency as a result of Change Order No. 1. Change Order No. 1 was issued at the request of the Rental Car Companies (RACs) to make significant improvements to the column support system for the ConRAC.

2. Prior Related Actions

- **April 16, 2015 – Resolution No. 25681**

The Board of Airport Commissioners (Board) requested that the Los Angeles City Council consider and approve an ordinance to allow the use of Alternate Project Delivery Methods and Competitive Sealed Proposal Selection Process for Design-Build, Design-Build-Operate and Maintain, and Construction Manager at Risk contracts for the delivery of select Capital Improvement Projects related to the Landside Access Modernization Program (LAMP) at Los Angeles International Airport (LAX). On May 26, 2015, the City Council approved Ordinance No. 183585, authorizing the use of alternative project delivery methods as requested (Council File 14-0987).

- **February 16, 2017 – Resolution No. 26177**

The Board recommended that the City Council approve an ordinance amending the Los Angeles Administrative Code and otherwise authorizing the Board to allow the use of specific requirements and procedures for procurements and contracts related to LAMP at LAX under Ordinance No. 183585, and clarified the intent of said ordinance concerning contractor-provided project financing.

- **April 19, 2018 – Resolution No. 26481**

The Board authorized the release of a Request for Proposals to qualified short-listed firms to submit proposals to design, build, finance, operate, and maintain a ConRAC Facility for LAMP at LAX.

- **August 16, 2018 – Resolution No. 26583**

The Board approved the award of individual Concession and Lease Agreements to Avis Budget Rental car, LLC; Enterprise Rent-A-Car Company of Los Angeles; the Hertz Corporation; Fox Rent A Car; Advantage Opco, LLC dba Advantage Rent A Car; DR Car Rental, Inc.; and Sixt Rent a Car LLC, covering the operation of rental car concessions and lease of specific space in the ConRAC Facility at LAX and appropriated up to \$30,000,000 for tenant improvements.

- **September 6, 2018 – Resolution No. 26597 (DA-5320)**

The Board authorized the Chief Executive Officer of Los Angeles World Airports (LAWA) to enter into an Early Works Agreement with the Recommended Developer, LA Gateway Partners, in the not-to-exceed amount of \$5,000,000.

- October 18, 2018 – Resolution Nos. 26617 and 26618 (DA-5322)**
 The Board authorized the Chief Executive Officer of LAWA to execute a 28-year Design-Build-Finance-Operate-Maintain Agreement and related ancillary agreement with LA Gateway Partners in the not-to-exceed amount of \$2,028,302,301.
- January 17, 2019 – Resolution No. 26684 (DA-5322)**
 The Board approved a change order for modifications to the column support system to improve customer service, customer and employee safety, and overall facility operations in the amount of \$38,700,000 for the ConRAC Facility at LAX.
- October 7, 2021 – Resolution No. 27352 (DA-5322)**
 The Board approved a change order to Contract No. DA-5233 with LA Gateway Partners to settle Relief Event No. 2 and Relief Event No. 3 in the not-to-exceed amount of \$7,500,000 with no extension of time.

3. Current Action

Background

On January 17, 2019, LAWA submitted to the Board a report requesting approval of a change order to modify the design and construction of the ConRAC column support system as requested by the RACs. Los Angeles World Airports and the RACs agreed that this change would significantly improve the overall customer service, provide for more efficient and flexible facility operations, enhance customer and employee safety, and better accommodate future rental car operations. The change was subsequently approved under Board Resolution No. 26684, executed as Change Order No. 1, and the \$37,826,092 cost of the change was paid from the Owner Project Contingency.

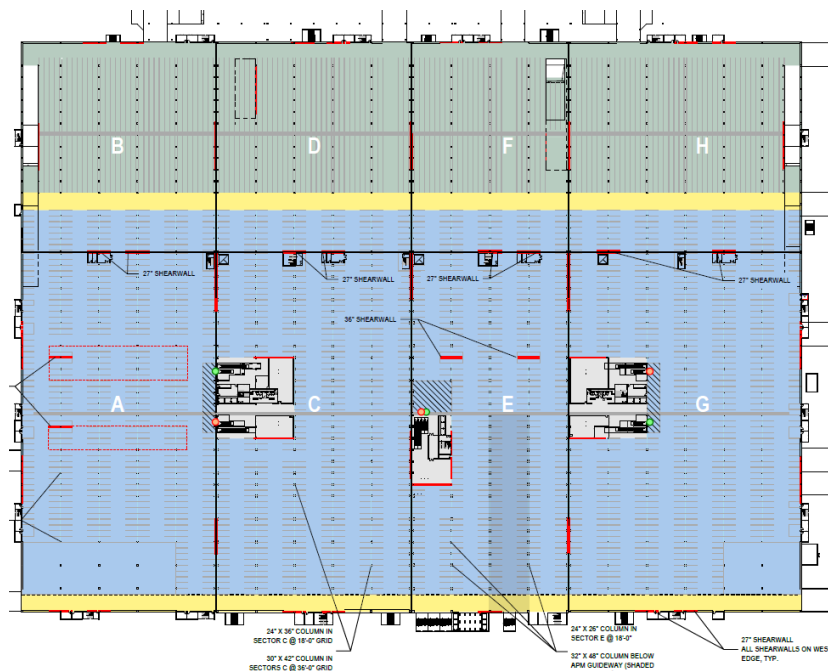


Figure 1 – Change Order 001 revised column spacing



Figure 2 – Actual 60'x36' column grid

The original owner project contingency of \$91,971,081 was approved as 9 percent of the \$1,011,163,121 design and construction cost of the ConRAC, which is substantially lower than the 15 percent typical contingency established for other large projects at LAWA. The intent for the relatively lower contingency was to maintain better control of the project's overall budget through governance by primarily funding non-discretionary costs, such as unforeseen field conditions and document corrections, through the approved contingency, while requiring large discretionary spending on betterments or added scope to return to the Board for new capital funding approval. In hindsight, Change Order No. 1 is considered a betterment for the overall project, and staff should have requested a new appropriation of capital funds.

Currently, 56 change orders, including Change Order No. 1, have been issued for the ConRAC project. The majority of these changes have been issued for unforeseen field conditions related to roadways and utilities work, settlement of relief events, changes related to the interface with the Automated People Mover project, and for COVID-19-related direct costs. The remaining Owner Project Contingency balance through Change Order No. 56 is \$12,257,674.

Action Requested

Staff requests approval of an appropriation of capital funds in the not-to-exceed amount of \$37,826,092 to Contract No. DA-5233 with LA Gateway Partners to replenish the Owner Project Contingency used to fund Change Order No. 1.

Fiscal Impact

The ConRAC Facility Project is programmed into LAWA's 10-Year Capital Improvement Plan (CIP) with a direct project budget of \$1,388,763,757 which includes hard costs, direct soft costs, project contingency, and developer-funded improvements. As the amount requested would increase the total amount of funds available for the project, adoption of this report would result in a net increase to the CIP in the amount of \$37,826,092.

Costs incurred for design and construction of the ConRAC Facility will be paid from ConRAC Developer debt and equity funding, pay-as-you-go Customer Facility Charges (CFC), and CFC-backed bond proceeds. The cost of maintenance and operation of the facility will be recovered from LAX non-aeronautical revenues.

4. Alternatives Considered

- **Take No Action**

If LAWA does not take any action, the ConRAC Facility Project contingency will be insufficient to complete the project.

APPROPRIATIONS

Staff requests that the Board appropriate funds in the not-to-exceed amount of \$37,826,092 from the LAX Revenue Fund to WBS 1.15.08A-700 (Consolidated Rent-A-Car Center).

STANDARD PROVISIONS

1. Any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA) is exempt from further review pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines. The Landside Access Modernization Program Environmental Impact Report (EIR) was certified by the Board of Airport Commissioners for this project on March 2, 2017 (Resolution 26185).
2. The underlying contract was approved 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 373.
4. LA Gateway Partners will comply with the applicable provisions of the Living Wage Ordinance and the Labor Code of the State of California (Prevailing Wage).
5. Procurement Services has reviewed this action (File No. 10043205), and LA Gateway Partners agreed to meet the following requirements:

	Design Phase	Construction Phase	Operations & Maintenance Phase
SBE	18%	22%	20%
LBE	50%	20%	7%
LSBE	10%	5%	5%
DVBE	5%	5%	3%

To date LA Gateway Partners has achieved the following:

	Design Phase	Construction Phase
SBE:	13.2%	26.7%
LBE:	48.9%	40.7%
LSBE:	8.1%	15.2%
DVBE:	2.1%	10.6%

6. LA Gateway Partners will comply with the provisions of the Affirmative Action Program.
7. LA Gateway Partners has a Business Tax Registration Certificate number 0003078681-0001-8.
8. LA Gateway Partners will comply with the provisions of the Child Support Obligations Ordinance.
9. LA Gateway Partners has approved insurance documents, in the terms and amount required, on file with Los Angeles World Airports.
10. Pursuant to Charter Section 1022, staff determined the work specified on the proposed contract can be performed more feasibly or economically by an Independent Contractor than by City employees.
11. LA Gateway Partners has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. LA Gateway Partners has been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance prior to execution of the contract.
13. LA Gateway Partners is required to comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. LA Gateway Partners has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. LA Gateway Partners has submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with its provisions.