



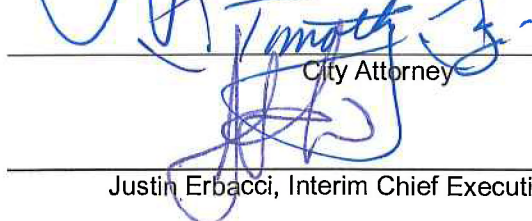
Los Angeles World Airports




REPORT TO THE BOARD OF AIRPORT COMMISSIONERS


Approved by: Dave Jones, Director, Airlines Property and Concession Services


Reviewed by: Jeffrey Utterback, Deputy Executive Director, Commercial Development Group


City Attorney


Justin Erbacci, Interim Chief Executive Officer

Meeting Date:

2/20/2020

CAO Review:

☐ Completed
☒ Pending
☐ N/A

<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	2/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	CI
CEQA	1/30/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	PI
Procurement	2/5/2020	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	QM
Guest Experience	2/4/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	1/30/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KV

SUBJECT: Approval of Non-Exclusive Space Use License Agreement for Expedited Traveler Service with Alclear, LLC at Los Angeles International Airport

Approve the proposed Non-Exclusive Space Use License Agreement with Alclear, LLC for five years to operate an expedited traveler service program at Los Angeles International Airport with minimum revenue of \$2,700,000 annually and \$13,500,000 over the 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 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 City of Los Angeles Charter.
4. APPROVE the Non-Exclusive Space Use License Agreement to Alclear, LLC to operate a non-exclusive expedited traveler service program at Los Angeles International Airport.
5. AUTHORIZE the Interim Chief Executive Officer or designee to execute the Non-Exclusive Space Use License Agreement with Alclear, LLC upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Execute a five-year agreement with Alclear, LLC (Clear) to continue providing expedited traveler services to passengers at Los Angeles International Airport (LAX) and meet demands from an increasing number of travelers for this service.

2. Prior Related Actions

- October 20, 2016 – Board Resolution No. 26088
The Board of Airport Commissioners (Board) approved a Non-Exclusive Space Use Agreement with Clear for one year with two one-year extension options (LAA-8946) to operate an expedited traveler service program at LAX.
- August 16, 2018 – Board Resolution No. 26564
The Board approved the First Amendment to the Non-Exclusive Space-Use License Agreement LAA-8946 with Clear at LAX to extend the term of the Agreement by three months, add up to 100 square feet of additional space for biometric enrollment and verification stations and generate approximately \$346,000 in additional revenue over the term.

3. Current Action

Guest security screening is a two-step process that includes 1) passenger identity verification via manual document check, followed by 2) physical screening of the passenger and their personal effects. To improve passenger flow through the security screening process, Clear developed a passenger verification technology that was approved by the Department of Homeland Security (DHS).

Clear offers a subscription service, at an average annual cost of \$150 per customer, that allows subscribers to bypass the manual document check/passenger verification step and proceed directly to physical screening. Clear subscribers are processed at designated Clear stations in close proximity to Transportation Security Administration (TSA) screening checkpoints where Clear's biometric authentication (fingerprint or eye-scan) equipment replace manual inspection of documents by a TSA agent. Upon identity verification, the passenger is escorted directly into the physical screening line by a Clear representative.

On November 2, 2016, Clear entered into an Agreement to provide this service at LAX. The Agreement commenced on January 1, 2017 with a term of one-year, with two one-year options to extend at the discretion of the CEO. Los Angeles World Airports (LAWA) exercised both one-year options extending the term through March 30, 2020, and rents have grown to an estimated \$2.3 million for the current contract year. Clear is currently operating in all terminals except the Tom Bradley International Terminal (TBIT). Clear operates 35 kiosks (16 enrollment and 19 verification) throughout the terminals and employs approximately 125 local ambassadors at LAX. In 2017, Clear was recognized by the City of Los Angeles Mayor's Office for achieving diversity and inclusivity goals when hiring Clear ambassadors. In addition to providing expedited screening service to passengers, Clear employees act as airport ambassadors. They keep current with airport information and provide much-needed direction and amenity assistance to airport guests.

In 2019, approximately 1.7 million passengers used Clear lanes. Based on projected annual growth of 4%, it is estimated that the average usage will grow from 1.7 million to 2.2 million annual visits by the end of the five-year term.

In three years of operation at LAX, Clear has expanded its service from 13 airports to 33 airports, including airports similar in size and scope to LAX like SFO, ATL, JFK, ORD, DEN, LAS, DFW, SEA, and PHX. Many of these airports pair with high volume destinations for flights from LAX, which has further increased demand from frequent travelers for this expedited service. As more airports use Clear, the demand continues to increase due to increased usability and value to customer.

The terms of the proposed agreement are substantially similar to the existing agreement with the exception of term, extended to five years, and increase in the Minimum Annual Guarantee (MAG) to \$2.7 million. The summary of proposed agreement terms are:

Proposed Agreement		
	Current	Proposed
Term:	One year with two, one-year options to extend	Five Years
Commencement	6/1/2017	Upon execution of the agreement
Expiration	03/30/2020	Five years after the execution of the agreement
Options to Extend	Two one-year options	None
MAG	\$1,000,000	\$2,700,000
MAG Escalation	85% of previous year sales Whichever is greater	85% of prior year MAG whichever is greater
Percentage Rent	12.5% of all sales from catchment area	12.5% of all sales from catchment area
Catchment Area	Based on subscriptions of people who live within a 100 mile radius of LAX	Based on subscriptions of people who live within a 100 mile radius of LAX excluding San Diego County
Pod Locations	Up to 6 per terminal, excluding TBIT	Up to 6 per terminal

Exemption from Competitive Bidding

Staff recommends that the Board approve exempting use of a competitive bidding process for the expedited traveler service Agreement because it is not reasonably practicable nor is it compatible with the City's interests since Clear remains the only expedited traveler service provider with approval from the Department of Homeland Security (DHS) for ticket document checking technology. In addition and specific to LAX, Clear has established operational efficiencies, formalized security protocols, and partnered with LAWA stakeholders (with business ventures executed with Delta, United, and Hertz) to deliver and achieve the required security and customer service standards. These and their membership portfolio growth from 13 to 33 airports in the last three years, provides the best opportunity to generate revenue and provide exceptional guest service.

Action Requested

Staff requests the Board approve the proposed Non-Exclusive Space Use License Agreement and authorize the Interim Chief Executive Officer to execute the agreement upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

Fiscal Impact

Awarding the proposed Non-Exclusive Space Use License Agreement will generate a minimum of \$2,700,000 in revenue annually to LAWA, and \$13,500,000 over the term.

4. Alternatives Considered

- ***Renegotiate with different terms***

This is not recommended because of the length of time it will take and the probability of not receiving a better deal since what was negotiated is the highest MAG negotiated by Clear with any airport.

- ***Discontinue Expedited Passenger Service by Clear***

This is not recommended because LAWA will forfeit the ability to generate approximately \$2.7 million in annual revenue. In addition, superior customer service through expedited screening and quasi ambassador services provided by Clear representatives will not be realized.

APPROPRIATIONS:

Approval of this action will not require an appropriation of funds from LAWA's Capital or Operating Budget.

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 categorically exempt from the requirements of the California

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

2. This contract is 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. Alclear, LLC will be required to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Business Enterprise Programs do not apply to Licenses.
6. Alclear, LLC will be required to comply with the provisions of the Affirmative Action Program
7. Alclear, LLC has been assigned Business Tax Registration Certificate No. 0002938391-0003-2.
8. Alclear, LLC will be required to comply with the provision of the Child Support Obligations Ordinance.
9. Alclear, LLC must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the License.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Alclear, LLC must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program prior to execution of the License Agreement.
12. Alclear, LLC must be determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the License Agreement.
13. Alclear, LLC will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Alclear, LLC must submit the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. This action is not subject to the Iran Contracting Compliance Act.