



RESOLUTION NO. 26355

LAX
Van Nuys
City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

Sean O. Burton
President

Valeria C. Velasco
Vice President

Jeffery J. Daar
Gabriel L. Eshaghian
Beatrice C. Hsu
Thomas S. Sayles
Dr. Cynthia A. Telles

Deborah Flint
Chief Executive Officer

BE IT RESOLVED that the Board of Airport Commissioners approved Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC at Los Angeles International Airport to add up to 30,000 square feet of concession space in the Midfield Satellite Concourse to the premises, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Chief Executive Officer to execute the Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC upon approval as to form by the City Attorney and approval of the Los Angeles City Council; and

BE IT FURTHER RESOLVED that this contract is exempt from City Charter Section 371(e)(10), and that City Charter Section 372 is satisfied in that a competitive proposal is not reasonably practicable and compatible with the City's interest; and

BE IT FURTHER RESOLVED that 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 requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that 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.

o0o

I hereby certify that this Resolution No. 26355 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, October 5, 2017.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

Item Number
7

REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

[Signature]
Approved by: Dave Jones, Director, Airline Property and Concession Services

[Signature]
Reviewed by: Debbie Bowers, Chief Commercial Officer

[Signature]
City Attorney

[Signature]
Deborah Flint – Chief Executive Officer

Meeting Date:

10/5/2017

CAO Review:

- Completed
 Pending
 N/A

Reviewed for	Date	Approval Status	By
Finance	6/14/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	5/30/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	AE
Procurement	9/15/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	6/29/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

SUBJECT: Approval of a Third Amendment to the Terminal Commercial Management Concession Agreement with Westfield Airports, LLC at Los Angeles International Airport

Approve the Third Amendment to the Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC at Los Angeles International Airport to add up to 30,000 square feet of concession space in the Midfield Satellite Concourse to the Premises and generate a minimum of \$6.4 million per year and approximately \$76.8 million in additional revenue over the term.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- 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.
- APPROVE the Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC.
- FIND that this contract is exempt from City Charter Section 371(e)(10), and that City Charter Section 372 is satisfied in that a competitive proposal is not reasonably practicable and compatible with the City's interest.

5. AUTHORIZE the Chief Executive Officer to execute the Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC upon approval as to form by the City Attorney and approval of the Los Angeles City Council.

DISCUSSION:

1. Purpose

Provide concession services in the Midfield Satellite Concourse (MSC) of the Tom Bradley International Terminal (TBIT).

2. Prior Related Actions

- January 23, 2012 – Board Resolution 24670
The Board of Airport Commissioners (Board) approved the award of Terminal Commercial Manager (TCM) Concession Agreement No. LAA-8613 (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, plus an option to redevelop the Theme Building.
- January 15, 2015 – Board Resolution 25616
The Board approved the First Amendment to the Agreement to extend the term for premises in TBIT by three years and at Terminal 2 for six months, and remove the option to redevelop the Theme Building. On November 19, 2015, Los Angeles World Airports (LAWA) consented to TCM's name change from Westfield Concession Management, LLC to Westfield Airports, LLC.
- April 21, 2016 – Board Resolution 25936
The Board approved the Second Amendment to the Agreement to extend the term for the premises in Terminal 2 for two years and six months, added the maintenance of Custom Architectural Features, and updated administrative terms.

3. Current Action

The MSC is being developed as a new concourse connected to TBIT and located to the west of existing TBIT concourses. Construction activities for the MSC began on February 27, 2017, and is planned to open at the end of fourth quarter 2019. The new concourse will have 750,000 square-feet of public area and hold room space, 12 new gates and approximately 45,400 square-feet of concession space. The airlines that will operate in the MSC and the resulting international and U.S. domestic passenger mix is still being determined.

As a part of the facilities, the following concession spaces are planned:

Type of Concession Space	# of Units	Approximate Square Footage
Retail	15	14,000
Food & Beverage	14	16,000
<i>Sub-Total: TCM Concession Space</i>	29	30,000
Food & Beverage Seating	4	8,500
Duty Free	1	6,800
Currency Exchange	1	100
<i>Sub-Total: Misc. Space</i>	6	15,400
Total: Square Footage	35	45,400

There is currently unoccupied and unreserved Food and Beverage and Retail concession space totaling approximately 30,000 square feet within the MSC. The Third Amendment amends the Agreement to add this space to Westfield's premises. The Third Amendment would also add up to 8,500 square feet of Food & Beverage Seating, which will be common area space, maintained by Westfield, in which passengers can sit, dine, rest and relax.

LAWA evaluated whether a competitive bidding process was reasonably practicable and compatible with the City's interest and found that the use of competitive bidding would be undesirable and impractical, consistent with Los Angeles City Charter Sections 371 (e)(10) and 372. Adding the MSC space to the Agreement premises will result in less cost to LAWA for development, ongoing maintenance and concession operations and staffing resources. As described below, Westfield has agreed to take up to 30,000 square feet without raising the current management fee or deducting the \$6 per square foot improvement allowance, i.e. no additional cost to LAWA, but accepting the minimum annual guarantee per square foot for the additional space. Furthermore, including Westfield in the initial MSC planning and development leverages the specific value-add benefits of the TCM model for recommendations on the design, retail category mix and concession seating opportunities.

Moreover, staff expects Westfield to implement concept, financial and operational strategies that will provide a balance between the new MSC and the existing TBIT concessionaires, given that a majority of all passengers will flow through the TBIT core prior to reaching the MSC. Westfield will have the operational flexibility between the MSC and TBIT facilities to create efficiencies and make adjustments to the sales strategy during the entire passenger journey. Uncertainty about airlines that will use the MSC gates and the resulting undefined future sales in the MSC may cause concessionaires, including small/new entrant businesses, to be reluctant to invest required capital in MSC locations. The TCM model allows flexibility in modeling concession agreements, giving Westfield the tools to design agreements that provide more certainty to concessionaires, in particular to small/ACDBE businesses and new entrants, reducing risk and encouraging investment and development

in the MSC. In addition, not all locations are required to be opened initially to allow for construction and openings to be phased appropriately and provide better revenue results and guest experience as the terminal becomes more populated.

PROPOSED AMENDMENT TERMS	
Term: Commencement Expiration	No Change – March 1, 2012 No Change – January 31, 2032
Premises: (Concession space units)	Total: Up to 99,672 Square Feet (SF) Existing (69,672 SF) plus MSC (up to 30,000 SF)
City Charge:	<ul style="list-style-type: none"> • The City will charge TCM for space preparation and logistical work performed in connection with the construction of the premises to shell condition, up to an amount not to exceed \$7,960,000 • TCM may collect up to 75% of the City Charge through reimbursement from its concessionaires, not to exceed \$250 per square foot

Action Requested

Staff requests the Board approve the Third Amendment to the Agreement and authorize the Chief Executive Officer to execute the Third Amendment after approval as to from by the City Attorney and upon approval by the Los Angeles City Council.

Fiscal Impact

Approving this Amendment will result in no additional cost to LAWA and will generate a minimum of \$6.4 million in additional revenue per year and approximately \$76.8 million in additional revenue over the term.

4. Alternatives Considered

- ***Select a TCM for the MSC using a competitive process***

Base building development for the MSC began ground construction in February 2017. The base building team stressed the urgency of having coordination discussions by the second quarter of 2017 to ensure uniform and complimentary planning. Going through a competitive bid process would delay coordination activities for at least nine months and additional delays are foreseen for new developers or concessionaires due to lack of familiarity with the City process and diminished ability to navigate a complicated construction process. An amendment of the Westfield TCM Agreement, to include the MSC, will ensure that critical development and operation timelines are met resulting in time and cost savings to LAWA.

- **Award direct agreements for each concession unit at the MSC**

Awarding direct agreements to individual concessionaires at the MSC will result in time delays, additional cost and diminished ability of LAWA to provide a cohesive concessions program at TBIT. This option will increase the investment risk for potential proposers, especially small business endeavors and ACDBE operators.

APPROPRIATIONS:

No appropriations are requested for this item.

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 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 agreement will be 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 606.
4. Westfield is required by contract to comply with the provisions of the Living Wage Ordinance.
5. Procurement Services Division has reviewed this action (File #5124) and established the following ACDBE goals: Food /Beverage - 25 %; Retail - 20 %. Westfield proposed 25% ACDBE participation for Food /Beverage and 20% ACDBE participation for Retail. Westfield has achieved 24.56% ACDBE participation for Food /Beverage and 24.98% ACDBE participation for Retail to date.
6. Westfield is required by contract to comply with the provisions of the Affirmative Action Program.
7. Westfield has been assigned Business Tax Registration Certificate number 0002573628- 0001 -4.
8. Westfield is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Westfield has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. Pursuant to Charter Section 104 (g) staff determined that airport concession agreements are exempt from the provisions of Charter Section 1022 (Use of Independent Contractor).

11. Westfield has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Westfield has been determined by Public Works, Office of Contract Compliance to be in compliance with the provisions of the Equal Benefits Ordinance.
13. Westfield will be required to comply with the provisions of the First Source Hiring Program for all non -trade Airport jobs.
14. Westfield has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.