

0150-09712-0005

**TRANSMITTAL**

TO  
Deborah Flint, Chief Executive Officer  
Department of Airports

DATE  
**OCT 17 2017**

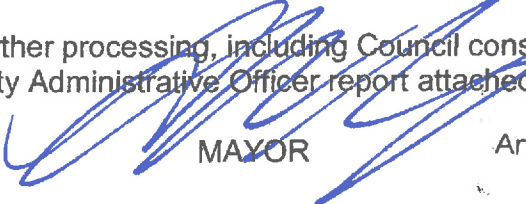
COUNCIL FILE NO.

FROM  
The Mayor

COUNCIL DISTRICT  
**11**

**Request to Approve a Third Amendment to Terminal Commercial Management Concession Agreement with Westfield Airports, LLC To Add Concession Space in the Los Angeles International Airport Midfield Satellite Concourse**

Transmitted for further processing, including Council consideration. See the City Administrative Officer report attached.

  
MAYOR Ana Guerrero

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: October 16, 2017

CAO File No. 0150-09712-0005

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Communication from the Department of Airports dated October 4, 2017; referred by the Mayor for report on October 5, 2017

Subject: **APPROVAL OF THE THIRD AMENDMENT TO TERMINAL COMMERCIAL MANAGEMENT CONCESSION AGREEMENT WITH WESTFIELD AIRPORTS, LLC TO ADD CONCESSION SPACE IN THE LOS ANGELES INTERNATIONAL AIRPORT MIDFIELD SATELLITE CONCOURSE**

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### RECOMMENDATIONS

That the Mayor:

1. Approve the Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 between the Los Angeles World Airports and Westfield Airports, LLC to add up to 30,000 square feet of concession space in the Los Angeles International Airport's Midfield Satellite Concourse, subject to Westfield's compliance with the City's Standard Provisions for Contracting, including the Affirmative Action Program, Child Support Obligations Ordinance, Living Wage Ordinance, Contractor Responsibility Program, First Source Hiring Program for all non-trade airport jobs, and the Bidder Contributions CEC (City Ethics Commission) Form 55, subject to City Attorney approval as to form;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC; and,
3. Return the Amendment to the Department for further processing, including Council consideration.

### SUMMARY

The Chief Executive Officer of the Los Angeles World Airports (LAWA; Department) requests approval to execute the Third Amendment to Terminal Commercial Management Concession Agreement LAA-8613 with Westfield Airports, LLC (Westfield; contractor). The proposed Amendment will add 30,000 square feet of unoccupied and unreserved concession space in the form of retail and food and beverage concessions in the Los Angeles International Airport's (LAX) new

Midfield Satellite Concourse (MSC) west of the Tom Bradley International Terminal. The balance of the 45,400 square feet of concession space still available—15,400 square feet—will be assigned as follows: food and beverage seating – 8,500 square feet of common area space to be maintained by Westfield; duty free shopping – 6,800 square feet; and currency exchange – 100 square feet.

The new 750,000 square foot MSC will have 12 new boarding gates in addition to the concession space. Having begun construction in 2017, the concourse will open during the first quarter of 2020. For the purpose of planning, designing, and constructing the concession spaces, it is important that the Third Amendment be executed at this juncture.

The Department determined that opening the new MSC concession space to competitive bid is undesirable and impractical in that (1) it will be less costly to LAWA for the development, maintenance, and concession operations, and staffing for the new space if the current concessions manager is used; and (2) Westfield, by leveraging its current experience at LAX, is believed to have both a beneficial space design and consistent standards with which to ensure a high level of customer service and operational efficiencies resulting in reduced cost to LAWA. These findings are consistent with the provisions of Charter Section 371 (e)(10) "Competitive Bidding; Competitive Sealed Proposals."

According to the Department, approval of the proposed Amendment will result in additional rental revenue of at least \$6.4 million annually and approximately \$76.8 million over the 12-year operational period at no additional cost to LAWA.

Westfield Concessions Management, LLC was selected by LAWA in 2012, using a competitive process involving three proposers, to develop, lease, and manage concessions (e.g., convenience and specialty retail, food and beverage, and various types of passenger services) in the Tom Bradley International Terminal, Terminal 2, and, as an option, the Theme Building (also known as the "Encounter Restaurant") using a Terminal Concessions Manager (TCM) model. The original Westfield TCM contract, for 84,261 square feet of concessions space, was approved by the Council on February 22, 2012 (C.F. 12-0136). Subsequent to that approval, on November 19, 2015, the Board of Airport Commissioners (Board) consented to a name change from the original Westfield Concession Management, LLC to Westfield Airports, LLC.

At its meeting of October 5, 2017, the Board approved the proposed Third Amendment with Westfield and, pursuant to Charter Section 606, authorized the Department to proceed with executing the Amendment, subject to approval by the Council.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed Amendment will generate a minimum of \$6.4 million in annual revenue for LAWA and approximately \$76.8 million over the 12-year operational period with no additional cost and no appropriation of funds from the Department's Capital or Operating Budgets. Both the Third Amendment and the underlying agreement comply with the Department of Airports' adopted Financial Policies. Approval of the proposed Amendment with Westfield Airports, LLC will have no impact on the City's General Fund.