



# REPORT TO THE

# BOARD OF AIRPORT COMMISSIONERS

 <u>David Jones (Aug 5, 2021 13:06 PDT)</u> Approved by: Dave Jones, Deputy Executive Director of Commercial Development		<u>Meeting Date:</u> 8/12/2021																									
 <u>Samantha Bricker (Aug 5, 2021 13:53 PDT)</u> Reviewed by: Samantha Bricker, Chief Sustainability & Revenue Management Officer		<u>CAO Review:</u> <input type="checkbox"/> Completed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> N/A																									
 <u>D Dazé (Aug 5, 2021 14:16 PDT)</u> 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>7/28/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>KT</td> </tr> <tr> <td>CEQA</td> <td>7/30/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>VW</td> </tr> <tr> <td>Procurement</td> <td>7/28/2021</td> <td><input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond</td> <td>LK</td> </tr> <tr> <td>Guest Experience</td> <td>7/28/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>7/28/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>KC</td> </tr> </tbody> </table>		Reviewed for	Date	Approval Status	By	Finance	7/28/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KT	CEQA	7/30/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW	Procurement	7/28/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	LK	Guest Experience	7/28/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB	Strategic Planning	7/28/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC
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 <u>Justin Erbacci (Aug 5, 2021 14:17 PDT)</u> Justin Erbacci, Chief Executive Officer																											

## SUBJECT

Approve the First Amendment to the Concession Agreement with Crews Hospitality, LLC (Agreement No. LAA-9094) to extend the term of the agreement to June 30, 2025.

## 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.
- FIND that the work can be performed more economically or feasibly by an independent contractor than by City employees.
- APPROVE the First Amendment to the Concession Agreement with Crews Hospitality, LLC Agreement No. LAA-9094 to extend the term of the agreement to June 30, 2025.
- AUTHORIZE the Chief Executive Officer to execute the First Amendment to Crews Hospitality, LLC Agreement No. LAA-9094 after approval as to form by the City Attorney and approval by the Los Angeles City Council.

## **DISCUSSION**

### **1. Purpose**

Extend the term of the concession agreement by two years due to the impacts of COVID-19.

### **2. Prior Related Actions**

- **February 20, 2020 – Resolution 26962 (LAA-9094)**  
The Board of Airport Commissioners (Board) approved a three-year Concession Agreement with Crews Hospitality, LLC. for the operation of a quick serve food and beverage grab-and-go coffee concession in Terminal 7 at Los Angeles International Airport (LAX).

### **3. Current Action**

The three-year Concession Agreement No. LAA-9094 with Crews Hospitality, Inc. (Agreement), was executed in February 2020, and features a unit co-branded with Los Angeles iconic locations Randy's Donuts and Hilltop Coffee and Kitchen. This concession was awarded through a competitive Request for Proposal process to enhance the food and beverage and coffee offerings in the southern end of Terminal 7.

The timing for opening this concession has been seriously impacted by the drastic decline in passenger traffic due to the impacts of the COVID-19 pandemic which started the month after award of this contract. As a result of the pandemic, Los Angeles World Airports, at the request of the concessionaire, delayed the delivery date of the space and agreement commencement date to July 1, 2021, in accordance with an option in the Agreement that allows the Chief Executive Officer to extend both dates. Therefore, because the Agreement had not commenced when the Board of Airport Commissioners approved concession relief last year, it was not included in the package that suspended Minimum Annual Guarantee rent and extended the term of in-terminal concession agreements by two years.

Now that the Agreement has commenced, Los Angeles World Airports' staff requests that the Board of Airport Commissioners approve the proposed amendment that will extend the expiration of the Agreement by two years, from June 30, 2023 to June 30, 2025. The additional two years will provide the concessionaire with the term originally contemplated and provide the appropriate opportunity to recoup the initial investment and earn adequate returns.

In addition, this adjustment will align with the termination dates for other food and beverage concession units in the terminal and allow for a more holistic solicitation and re-leasing plan for the terminal concessions program.

#### ***How this action advances a specific strategic plan goal and objective***

This action advances this strategic goal and objective: *Deliver Facilities & Guest Experiences that are Exceptional: Develop, maintain and operate first class facilities.* Extending the term of this Agreement will improve the guest experience for an additional two years by offering a value priced menu and convenient option for guests at the southern end of the terminal while also featuring local favorites.

### ***Fiscal Impact***

Extending the term of this Agreement for two years will generate estimated additional revenue of \$400,000 to the Los Angeles World Airports (LAWA).

#### **4. Alternatives Considered**

- ***Take No Action***

Failure to extend the Agreement term will likely result in the concessionaire terminating the agreement prior to investing in the required improvements in that adequate time will not be available to recoup investment costs. Not adding this new location to Terminal 7 will adversely affect the guest experience in the terminal and reduce revenue to LAWA.

### **APPROPRIATIONS**

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

### **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 California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18) (c) of the Los Angeles City CEQA Guidelines.
2. The proposed document(s) is/are 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. Crews Hospitality, LLC is required by contract to comply with the provisions of the Living Wage Ordinance.
5. Procurement Services reviewed this action (File No.9242). No specific ACDBE level of participation was set for this project as no subcontracting opportunities were identified.
6. Crews Hospitality, LLC is required by contract to comply with the provisions of the Affirmative Action Program.
7. Crews Hospitality LLC has been assigned Business Tax Registration Certificate No. 0000099582-0000-1.
8. Crews Hospitality, LLC is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Crews Hospitality, LLC has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.

10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. Crews Hospitality, LLC has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Crews Hospitality, LLC must be determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance, prior to Contract Amendment.
13. Crews Hospitality, LLC is required by contract to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Crews Hospitality, LLC has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Crews Hospitality, LLC has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. Crews Hospitality, LLC will comply with the provisions of the Iran Contracting Act.