

TRANSMITTAL		0150-11120-0001
TO Deborah Flint, Chief Executive Officer Department of Airports	DATE 4/23/18	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 11
<p>Request to Approve a Consent to Brand Sponsorship Between JCDecaux Airport Inc. and American Express Travel Related Services, Inc. and Approval of a Lease for a Sponsorship Amenity Premier Passenger Lounge Space at the Los Angeles International Airport</p> <p>Transmitted for further processing, including Council consideration. See the City Administration Officer report attached.</p> <div style="text-align: center;"> MAYOR</div> <p>(Ana Guerrero) for</p>		
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OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 19, 2018

CAO File No. 0150-11120-0001

Council File No.

Council District: 11

To: The Mayor

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

Reference: Communication from the Department of Airports dated April 5, 2018; referred by the Mayor for report on April 5, 2018

Subject: **APPROVAL OF A CONSENT TO BRAND SPONSORSHIP BETWEEN JCDECAUX AIRPORT INC. AND AMERICAN EXPRESS TRAVEL RELATED SERVICES, INC. AND APPROVAL OF A LEASE FOR A SPONSORSHIP AMENITY PREMIER PASSENGER LOUNGE SPACE AT THE LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve a 10-year Consent to Brand Sponsorship between JCDcaux Airport Inc. and American Express Travel Related Services, Inc.; further, approve a 10-year Sponsorship Amenity Premier Passenger Lounge Space Lease between American Express Travel Related Services, Inc. and the Los Angeles World Airports for the Tom Bradley International Terminal for the purpose of promoting advertising sponsorship, subject to City Attorney approval as to form and the two corporations' compliance with the City's Standard Provisions for Contracts including the Living Wage Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, the Department's insurance requirements, Contractor Responsibility Program, Equal Benefits Ordinance, First Source Hiring Program for all non-trade LAX Airport jobs, and the Bidder Contributions CEC (City Ethics Commission) Form 55 requirements;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the Consent to Brand Sponsorship and the Sponsorship Amenity Premier Passenger Lounge Space Lease for the Tom Bradley International Terminal; and,
3. Return the proposed Consent to Brand Sponsorship and Sponsorship Amenity Premier Passenger Lounge Space Lease to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

As the Department's Terminal Media Operator (TMO), JCDcaux Airport Inc. (JCDcaux)—the world's largest outdoor advertising corporation and selected by the Los Angeles World Airports (LAWA; Department) through a competitive process—is responsible for market advertising; branding;

designing, developing, installing, constructing, operating, managing, and maintaining advertising displays and sponsorships; and developing and marketing media agreements for sponsorships at the Los Angeles International Airport (LAX).

The underlying TMO agreement, approved by the Council on December 11, 2013 (C.F. 13-1619), requires that JCDecaux (1) invest a minimum of \$21,500,000 to develop and operate additional facilities and equipment to encourage the sale of advertising and sponsorships at LAX, (2) provide LAWA with guaranteed revenues exceeding \$180,000,000 over the term of the agreement, (3) provide LAWA with over \$50,000,000 in revenue from forecast sales and proposed percentage fees over the 10-year term, and (4) exceed the previous year's advertising revenues paid to the Department by at least 30 percent for the first year.

To help facilitate the LAX advertising and sponsorships, LAWA's Chief Executive Officer requests authority to (1) approve a Consent to Brand Sponsorship agreement between JCDecaux and American Express Travel Related Services, Inc. (one of a maximum of eight concurrent corporate sponsors authorized by the agreement) for a 10-year period, and (2) execute a Sponsorship Amenity Premier Passenger Lounge Space Lease between American Express Travel Related Services, Inc. (American Express). Both agreements will apply to the Tom Bradley International Terminal. The Lounge Lease is for a similar 10-year period and is a necessary part of JCDecaux' brand sponsorship (known as a "sponsorship amenity").

Significant TMO responsibilities affecting the American Express relationship at LAX include:

- All indoor and Central Terminal Area parking garage advertising
- Development of the LAWA-owned media assets, including content and marketing strategies, to improve outreach and sales
- Creation of an annual Business and Operations Plan for the operation, maintenance, and management of the advertising, sponsorship, and other media concession operations
- Activation and operation of new programming services and technologies for passengers' tablets, laptops, and smartphones, including the Integrated Environmental Media System (IEMS) for the Tom Bradley International Terminal. The IEMS will include the Story Board, Time Tower, Arrivals Board, and portals in the Bradley West terminal area
- Operation of various airport facilities and equipment (e.g., digital signage screens) designed to sell advertising and sponsorships
- Creation and implementation of a sequencing plan for the four primary components of the Emerging Media Business Plan consisting of Wi-Fi connectivity, entertainment, social media, and shopping

American Express is required to invest a minimum of \$5,576,800 in design and construction of a premier passenger lounge and, when completed, will manage the lounge for the duration of the lease term. A further condition of the lease allows LAWA to terminate it for security and operational needs—with 90 days' advance written notice—and American Express to terminate the lease, after the fifth year, by paying LAWA for the net present value of the rent owed for the balance of the term. Upon termination of the lease by American Express, all improvements would become the property of LAWA at no cost to the Department. The Lounge Lease rental revenue to LAWA for approximately

13,942 square feet in the Tom Bradley International Terminal is estimated to be \$2,800,000 the first year and \$33,400,000 over the 10-year term.

The Board of Airport Commissioners approved the Consent to Brand Sponsorship and Sponsorship Amenity Premier Passenger Lounge Space Lease at its April 5, 2018 meeting.

FISCAL IMPACT STATEMENT

Approval of the Consent to Brand Sponsorship between JCDcaux Airport Inc. and American Express Travel Related Services, Inc. and the Sponsorship Amenity Premier Passenger Lounge Space Lease for the Tom Bradley International Terminal between the Los Angeles World Airports and American Express Travel Related Services, Inc. will have no impact on the City's General Fund. The Lounge Space Lease will generate revenue to the Los Angeles World Airports of approximately \$2,800,000 the first year and \$33,400,000 over the 10-year term. The agreements comply with the Department of Airports' adopted Financial Policies.

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