



Los Angeles  
World Airports

**RESOLUTION NO. 26463**

**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 Consent to Brand Sponsorship between JCDecaux Airport, Inc. and American Express Travel Related Services, Inc., and related Sponsorship Amenity Premier Passenger Lounge Space Lease with American Express Travel Related Services, Inc. covering areas specific to the Tom Bradley International Terminal at Los Angeles International Airport, 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 Consent to Brand Sponsorship and the Sponsorship Amenity Premier Passenger Lounge Space Lease upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; 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 involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted 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. 26463 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, April 5, 2018.

Sandra J. Miller – Secretary  
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

Item Number

# REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Denise Sample  
Approved by: Denise Sample, Managing Director, Commercial  
Development Group

Debbie Bowers  
Reviewed by: Debbie Bowers, Chief Commercial Officer

Timothy J. [Signature]  
City Attorney

[Signature]  
Deborah Flint – Chief Executive Officer

Meeting Date:

4/5/2018

CAO Review:

☐ Completed  
☒ Pending  
☐ N/A

Reviewed for	Date	Approval Status	By
Finance	3/15/18	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	3/14/18	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	AE
Procurement	03/15/18	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	MT
Guest Experience	3/20/18	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	3/14/18	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	KV

**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 Passenger Lounge between Los Angeles World Airports and American Express Travel Related Services, Inc.

Approve a Consent to Brand Sponsorship between JCDecaux Airport, Inc. and American Express Travel Related Services, Inc. and approve the related premier passenger lounge Lease, which is the required sponsorship amenity, between Los Angeles World Airports and American Express Travel Related Services, Inc., that will yield approximately \$2,800,000 in the first year and approximately \$33,400,000 in rent over the ten-year 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. APPROVE a Consent to Brand Sponsorship between JCDecaux and American Express Travel Related Services, Inc.
4. APPROVE the Sponsorship Amenity Premier Passenger Lounge Space Lease with American Express Travel Related Services, Inc. at the Tom Bradley International Terminal,

which is the required sponsorship amenity that will generate approximately \$33,400,000 in rental revenue to Los Angeles World Airports over a ten-year term.

5. AUTHORIZE the Chief Executive Officer to execute the Consent to Brand Sponsorship and the Sponsorship Amenity Premier Passenger Lounge Space Lease, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

### **DISCUSSION:**

#### **1. Purpose**

Launch the first JCDecaux Airport, Inc. (JCDecaux) brand partnership with American Express Travel Related Services, Inc. (American Express), which includes the Sponsorship Amenity Premier Passenger Lounge Space Lease (Lounge Lease) in the Tom Bradley International Terminal (TBIT) at Los Angeles International Airport (LAX).

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

- December 2, 2013 – Resolution No. 25283  
The Board of Airport Commissioners (Board) approved the Terminal Media Operator (TMO) Concession Agreement with JCDecaux.

#### **3. Current Action**

As the TMO at Los Angeles World Airports (LAWA), JCDecaux is authorized to market advertising and digital activation opportunities; to design, develop, install, construct, operate, manage and maintain high quality advertising displays and sponsorship activations; and to market and enter into media agreements with sponsors and advertisers.

When LAWA selected the TMO, staff identified sponsorship as an integral part of achieving its dual goals of enhancing the passenger experience and creating a new revenue platform complimentary, but distinct from, advertising revenues. The sponsorship component of the TMO Agreement includes on-going sponsorships and no more than eight brand partnerships at one time. Brand partnerships include sponsorship agreements with entities in categories including but not limited to credit cards, auto companies, pharmaceuticals, hotels, travel agencies, and restaurant chains. To implement the sponsorship-driven strategy, LAWA has offered the TMO a broad set of sponsorship rights and assets that include areas specific to TBIT. The TMO Agreement only allows eight brand partner sponsorship arrangements at any given time, each of which must involve a significant long-term financial investment.

JCDecaux and American Express have requested LAWA to consent to the ten-year Brand Sponsorship agreement that includes a Lounge Lease in TBIT. Key elements of the Brand Sponsorship are noted below:

- Sponsorship Elements - JCDecaux's Brand Sponsorship with American Express will include messaging and signage on inventory locations currently operated by JCDecaux and approved by LAWA pursuant to the TMO Agreement. The Brand Sponsorship will also include a premier passenger lounge amenity allowing American Express to develop and operate a lounge pursuant to a Lounge Lease between American Express and LAWA.

- Lounge Revenue – Rents paid to LAWA pursuant to the Lounge Lease will not be considered advertising, sponsorship, emerging media, or any other type of revenue under the TMO Agreement.
- Contract Term and Early Termination -The term of the Brand Sponsorship is ten-years. If JCDecaux ceases to be the TMO during the term of the Brand Sponsorship, it will automatically assign to LAWA.

Key components of the Lounge Lease include:

- Permitted Use – Development and operation of a lounge, which may include offering American Express products and services that are offered publicly and not exclusively in connection with the lounge.
- Lounge Development – American Express will be responsible for all costs associated with the design, construction and operation of the lounge
- Term and Additional Term – The Lounge Lease will be in place throughout the ten-year Brand Sponsorship. LAWA, at its option, may extend the Lounge Lease for an additional five-year period for a total of fifteen-years, unless American Express provides written notice 160 days prior to the expiration of the Lounge Lease.
- Tenant's Right to Early Termination – American Express has a right to early termination after the conclusion of the fifth calendar year following the Commencement Date, provided they are not in breach of the Lounge Lease or the Brand Sponsorship. If American Express exercises its early termination right, it must pay LAWA the net present value of the rent owed for the remainder of the ten-year term. If American Express terminates the Lounge Lease, LAWA will assume ownership of all improvements at no cost to LAWA.
- Landlord's Right to Early Termination – LAWA has the option to terminate the Lounge Lease for airport security and operational needs by providing American Express with ninety days advance written notice. If LAWA exercises its right to terminate the Lounge Lease, LAWA must pay American Express the depreciated value of its improvements to the lounge as established after construction completion (Qualified Investment).

The table below provides a summary of key elements of the Lounge Lease.

<b><u>Proposed Lease</u></b>	
Term	10 years from Rent Commencement Date
Lease Commencement	First day of the month following full execution of the lease.
Rent Commencement	Earlier of: (1) the Date of Beneficial Use, or (2) 365 days from the Commencement Date of the Lease, unless extended at LAWA's discretion.
Estimated Demised Premises	13,693 Square Feet (SF)
Minimum Lounge Capital Investment Required	\$5,576,800
Projected Lease Revenue in the First Year <sup>1</sup>	\$2,800,000

1. Rent is based on the Board approved Terminal Rate, which is set each year by the Board.

***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.*

This action will provide guests who are not associated with an airline alliance access to premier lounge space.

***Action Requested***

Staff requests the Board approve the Consent to Brand Sponsorship between JCDecaux and American Express and approve the Lounge Lease between LAWA and American Express, and authorize the Chief Executive Officer to execute both agreements after approval as to form by the City Attorney and approval by the Los Angeles City Council.

***Fiscal Impact***

Approval of the Lounge Lease will generate a total of approximately \$34,000,000 in revenue over the 10-year term.

***Alternatives Considered***

• ***Take No Action***

LAWA has unsuccessfully attempted to lease this lounge space to airlines for many years. American Express wanted a Centurion lounge at LAX and were offered this space. Not approving the Consent to Sponsorship will leave LAWA with vacant lounge space.



Not leasing the vacant lounge space would defer annual revenue to LAWA in the amount of approximately \$2,800,000.

**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 involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted 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 item 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. American Express will comply with the provisions of the Living Wage Ordinance.
5. The Small Business Enterprise, Local Business Enterprise/Small Local Business Enterprise, and Disabled Veterans Business Enterprise Programs do not apply to leases.
6. American Express will comply with the provisions of the Affirmative Action Program.
7. American Express has been assigned Business Tax Registration Certificate number 0002172655-0002-1.
8. American Express will comply with the provisions of the Child Support Obligations Ordinance.
9. American Express will have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to execution of the lease agreement.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. American Express must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. American Express must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the lease agreement.
13. American Express will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. American Express must submitted the Bidder Contributions CEC Form 55 and comply with its provisions.