

CATEGORICAL EXEMPTION and TRADE, TRAVEL, AND TOURISM COMMITTEE REPORT relative to the Fourth Amendment to the Los Angeles World Airports (LAWA) Concession Agreement with DFS Group, LP.

Recommendations for Council action:

1. ADOPT the determination by the Board of Airport Commissioners (BOAC) that the proposed action is categorically exempt under the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. APPROVE the Fourth Amendment to LAWA Concession Agreement LAA-8647 with DFS Group, LP, to allow adjustment of the Faithful Performance Guarantee (FPG), for a duty free concession at Los Angeles International Airport (LAX).
3. CONCUR with the action taken by the BOAC on January 7, 2021, by Resolution No. 27191, authorizing the Chief Executive Officer, LAWA, to execute the Fourth Amendment to Concession Agreement LAA-8647 with DFS Group, LP.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that this action will not impact the General Fund. The proposed Fourth Amendment complies with LAWA's financial policies.

Community Impact Statement: None submitted.

TIME LIMIT FILE – MARCH 15, 2021

(LAST DAY FOR COUNCIL ACTION – MARCH 3, 2021)

SUMMARY

In a report to BOAC dated September 3, 2020, LAWA requests approval of the Fourth Amendment to the Concession Agreement with DFS Group, LP. In April 2020 and October 2020, BOAC approved rent relief for concessionaires that waived the required Minimum Annual Guarantee (MAG) rent, and allowed payment based only on percentage of gross sales. This resulted in reduced rents paid as passenger traffic and gross sales declined significantly due to COVID-19 impacts. Most of the concession agreements will allow FPGs to reset to reflect lower monthly rent payments.

The duty free concession agreement includes language that prevents DFS Group, LP, from reducing the FPG below the initial amount set when the agreement was executed. Therefore, DFS faces a financial burden that other concessionaires do not. The proposed Fourth Amendment to the DFS Concession Agreement allows the FPG amounts to be reset to reflect the reduced rent that results from the concession relief program previously approved by the BOAC. It will adjust the minimum FPG amount from \$7.5 million to \$5 million so that the FPG is the greater of \$5 million or three times the monthly rental rate, whichever is higher. This amount is nearly double the FPG amount that would be required calculated at three times estimated

monthly rent. In addition, the amendment will allow the Chief Executive Officer to adjust the FPG to align with a revised MAG, if applicable, which is similar to the process allowed for all other in-terminal concession agreements.

On January 7, 2021, BOAC approved the proposed Fourth Amendment to the LAWA Concession Agreement with DFS. The CAO concurs with this action.

At its meeting held February 23, 2021, the Trade, Travel, and Tourism Committee recommended that Council approve the proposed amendment, as recommended by BOAC and the CAO.

Respectfully Submitted,

TRADE, TRAVEL, AND TOURISM COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
BUSCAINO:	YES
BONIN:	YES
LEE:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-