

**CITY OF LONG BEACH**

LONG BEACH AIRPORT

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November 18, 2014

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

**RECOMMENDATION:**

Authorize the City Manager to execute an amendment to extend Agreement No. 32791 with Paradies-Long Beach II, LLC, and Agreement No. 32846 with Paradies-Long Beach, LLC, each for a period of five years at the Long Beach Airport, and reimburse a one-time total lump sum of \$200,000 for early opening assistance and other construction-related costs. (District 5)

**DISCUSSION**

The City of Long Beach (City), following a Request for Proposals (RFP) for Concessions at the Long Beach Airport (Airport), entered into Concession Agreement Nos. 32791 and 32846 (Agreements) with Paradies-Long Beach II, LLC, and Paradies-Long Beach, LLC, respectively (Paradies) on September 25, 2012.

The contracts stated an expected completion date of spring 2013 for the new post-security Passenger Concourse (Concourse). The Agreements define the various food/beverage, specialty beverage/food, and gift/news/retail concessions facilities (Required Improvements) to be constructed within the Concourse by Paradies on or before December 1, 2012 (Completion Date). During construction of the Concourse, the Required Improvements were simultaneously constructed on behalf of Paradies by Horizon Retail Construction (Concessions Contractor) within the Concourse.

Although the Concourse construction had an expected completion date of Spring 2013, due to the customer inconvenience caused by the ongoing construction, as well as the requirement for the concession facilities to be completed on or before December 1, 2012, it was determined to be in the best interest of all parties to complete the Concourse improvements sooner.

In the summer of 2012, the Concourse improvements contractor (Former Contractor) defaulted and was replaced by a "completion" contractor. Additional funds and division of work were required to ensure the early opening of the new Concourse.

To assist with the early opening, Paradies provided the following:

- Provision of safety personnel to monitor a passenger / baggage tug crossing.
- Furnish and install temporary security fencing.
- Overtime performed by multiple subcontractors for the Concessions Contractor.
- Expedited freight costs incurred by Paradies.
- Construction of interior demising walls.
- Various concrete, electrical and plumbing work was completed.
- Additional cleanup in preparation for Concourse early opening events.

The costs for extra work submitted by Paradies were reviewed and negotiated by Airport staff. The total sum for all Paradies' additional work is \$200,000.

In addition to its assistance with the early opening of the Concourse, Paradies increased the amount invested in the concessions facilities beyond what was originally proposed. At its sole option, Paradies increased the amount invested for construction of dry storage and cooler areas outside the limits identified in the original Request for Proposals, providing for additional customer space including the provision of more high-end furniture, fixtures, and equipment. Paradies also made an additional investment in improvements to HVAC, security, and other systems, which, in total, resulted in an enhanced passenger experience. Since its opening, the Concourse has been recognized by Fodor's as one of the top ten airport terminals for 2014 and by the British Broadcasting Corporation (BBC) for being one of the ten most beautiful airports in the world.

The Agreements with Paradies include a 10-year initial term through November 30, 2022, along with an extension option of five additional one-year terms. Paradies is requesting the City exercise these options extending the contracts by five years, through November 30, 2027. The extended term will serve as consideration for the additional investment in the concessions facilities, allowing Paradies to amortize the total investment over a longer term. Airport staff supports this request. Paradies remains in full compliance with the terms and conditions of its Agreements with the City of Long Beach. This extension request does not increase the maximum length of term allowed by the Agreements.

This matter was reviewed by Deputy City Attorney Richard Anthony on November 5, 2014 and by Budget Management Officer Victoria Bell on July 2, 2014.

#### TIMING CONSIDERATIONS

City Council action on this item is requested on November 18, 2014, in order to reimburse Paradies in a timely manner for costs associated with early opening assistance and the non-concession-related construction of the Concourse.

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FISCAL IMPACT

Reimbursement of \$200,000 to Paradies for early opening assistance and Concourse construction-related costs will be funded by approximately \$100,000 of Airport Capital currently budgeted in the Airport Fund (EF 320), and approximately \$100,000 of existing Airport Revenue Bond proceeds that will be included in a quarterly appropriation adjustment request for FY 14. Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



REGINALD I. HARRISON  
ACTING DIRECTOR, LONG BEACH AIRPORT

APPROVED:



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PATRICK H. WEST  
CITY MANAGER