



Report to the

BOARD OF AIRPORT COMMISSIONERS

<i>Marla Bleavins</i> Approver: <u>Marla Bleavins (Aug 1, 2024 11:59 PDT)</u> Dave Jones, Deputy Executive Director Commercial Development	Meeting Date 8/15/2024			
	Needs Council Approval: <input checked="" type="checkbox"/> Y			
<i>Brian C. Ostler</i> Reviewer: <u>Brian C. Ostler, City Attorney</u> <i>John Ackerman</i> <u>John Ackerman, Chief Executive Officer</u>	Reviewed for/by	Date	Approval Status	By
	Finance	7/11/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
	CEQA	7/10/2024	<input checked="" type="checkbox"/> Y	VW
	Procurement	7/10/2024	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	BG
	Guest Experience	7/10/2024	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	7/15/2024	<input checked="" type="checkbox"/> Y	BNZ	

SUBJECT

Request to approve the proposed office lease with AmericanTours International LLC covering office space in the Los Angeles World Airports-owned Skyview Center located at 6033 West Century Boulevard, which will generate \$983,633 in net revenue over the 65-month term.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE 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 and office space, or its operations is exempt from CEQA requirements pursuant to Article III, Class 1 (18)(c) and (e) of the Los Angeles City CEQA Guidelines. In addition, interior or exterior alterations involving remodeling or minor construction where there be negligible or no expansion of use is exempt from the requirements of the CEQA as provided by Article III, Class 1(1) of the Los Angeles City CEQA Guidelines.
- FIND that the City's competitive bidding restrictions do not apply pursuant to Board Resolution No. 27530 whereby the Board of Airport Commissioners and the City Council found that it would be in the best interest of the City to contract with Colliers International Real Estate Management Services, Inc. for leasing services at Skyview Center.
- APPROVE the proposed office lease with AmericanTours International LLC.

5. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed office lease after approval as to form by the City Attorney and approval by the Los Angeles City Council.
6. APPROPRIATE funds in the amount of \$67,853.87 for broker commissions and \$169,440 for tenant improvements.

DISCUSSION

1. Purpose

Approval of the proposed office lease with AmericanTours International, LLC (ATI) for office space at Skyview Center will generate \$983,633 in revenue for Los Angeles World Airports (LAWA) over the 65-month term and establish a repayment plan for ATI to pay back rent that accrued during the COVID-19 pandemic.

2. Prior Related Actions/History of Board Actions

- **May 21, 2013 – Resolution No. 25129**

The Board of Airport Commissioners (Board) approved the acquisition of Skyview Center, a two-building office complex consisting of approximately 412,153 square feet of class A office space.

- **July 7, 2022 – Resolution No. 27530 (DA-5560)**

The Board approved a seven-year Property Management and Leasing Agreement with Colliers International Real Estate Management Services, Inc. (Colliers) for property management and leasing services. The agreement with Colliers is for both Skyview Center and Aviation Plaza for an amount not to exceed \$2,500,000.

3. Background

Los Angeles World Airports purchased the two-building Skyview Center office complex in 2013 and occupies 137,733 square feet, or 33 percent, of the available office space at Skyview Center. Currently, 33 percent of the space is occupied by other tenants leaving 69,224 square feet, or 34 percent of space, available for lease.

AmericanTours International, LLC is a travel and technology company with offices throughout the United States and has been a tenant in Skyview Center since 1993. During the COVID-19 pandemic, ATI did not pay rent for 28 months. Payments resumed in August 2022 and ATI requested payment terms for back rent owed to LAWA. The lease with ATI expired on July 31, 2023, and is currently on holdover status.

4. Current Action/Rationale

Staff negotiated a new lease for a smaller suite of 8,472 square feet that better suits ATI's needs, which includes a rental rate of \$2.20 per square foot and annual three percent increases. Terms of this rate are negotiated based on the tenant, size and condition of the office space, and market conditions. This new lease will result in approximately \$983,600 in net revenue to LAWA after deductions for brokers fees, tenant improvements, and other

incentives. Los Angeles World Airports agreed to make the new office rental-ready by providing new carpet and paint, and the required Title 24 upgrades.

The proposed lease also provides a repayment plan for ATI to pay \$1.1 million in back due rent that accrued during the COVID-19 pandemic. AmericanTours International, LLC will make additional monthly payments over a 60-month term of the proposed lease to repay this outstanding balance. Repayments began in 2023 and will be applied to the back due rent. The balance due can be prepaid any time prior to the end of the lease at no penalty.

Fiscal Impact

Approval of this item will result in net revenue of \$983,633.16 to LAWA over the 65-month lease term after broker commissions and tenant improvements are deducted.

5. Alternatives Considered

- ***Take No Action/Deny Request to Approve the Lease***

Taking no action/not approving the proposed office lease is not recommended as it will risk the loss of the tenant, which would then result in the potential loss of revenue for LAWA.

- ***Lease Space to Another Tenant***

No other parties have expressed interest in the space and no prospective tenants are known to exist for these premises.

APPROPRIATIONS

Staff request that the Board appropriate funds in the amount of \$67,853.87 for broker commissions and \$169,440.00 for tenant improvements as approved in the Property Management and Leasing Agreement with Colliers at Aviation Plaza and Skyview Center.

STANDARD PROVISIONS

The proposed document(s) is/are subject to approval as to form by the City Attorney.

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.