



Report to the BOARD OF AIRPORT COMMISSIONERS

Marla Bleavins
Approver: Marla Bleavins (Aug 1, 2024 11:52 PDT)
Dave Jones, Deputy Executive Director
Commercial Development

Brian C. Ostler
Reviewer: Brian C. Ostler, City Attorney

John Ackerman
John Ackerman, Chief Executive Officer

Meeting Date

8/15/2024

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	6/24/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	6/20/2024	<input checked="" type="checkbox"/> Y	VW
Procurement	6/22/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	BG
Guest Experience	6/21/2024	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	6/20/2024	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to approve the First Amendment to Office Lease LAA-9051 with American Airlines, Inc. to extend the term by 49 months for office space in the Los Angeles World Airports-owned Skyview Center located at 6033 West Century Blvd., which will generate \$951,713 in net revenue over the extension term.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that the issuance of permits, leases, agreements, berth 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 California Environmental Quality Act requirements pursuant to Article III, Class 1 (18)(c) and (e) of the Los Angeles City CEQA Guidelines.
3. 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.
4. APPROVE the proposed First Amendment to Office Lease LAA-9051 with American Airlines, Inc.

5. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed First Amendment after approval as to form by the City Attorney and approval by the Los Angeles City Council.
6. APPROPRIATE funds in the amount of \$57,102.78 for broker commissions.

DISCUSSION

1. Purpose

The proposed First Amendment to Office Lease LAA-9051 with American Airlines, Inc. will extend the current 60-month term by 49 months and retain an existing tenant in good standing in the Skyview Center office buildings.

2. Prior Related Actions/History of Board Actions

- **May 21, 2013 – Resolution No. 2519**

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.

- **October 18, 2018 – Resolution No. 26607 (LAA-9051)**

The Board approved a 60-month lease with American Airlines that expired on April 30, 2024.

- **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 both Skyview Center at 6053 W. Century Boulevard and for Aviation Plaza in Van Nuys for an amount not to exceed \$2,500,000.

3. Background

Los Angeles World Airports (LAWA) purchased the two-building Skyview Center office complex in 2013. Los Angeles World Airports occupies 137,733 square feet, or 33 percent of the available office space, at Skyview Center. Currently, 69,224 square feet, or 34 percent of the space, is available for lease, and LAWA and Colliers are actively marketing to prospective tenants. American Airlines has been at Skyview Center since 2019 and has been on holdover status since May 2024.

4. Current Action/Rationale

Colliers and LAWA staff negotiated the terms of the proposed First Amendment with American Airlines, which includes a rental rate of \$2.53 per square foot with three percent annual increases. Terms of this rate are negotiated based on the tenant, size and condition of the office space, and market conditions. In accordance with LAWA's leasing incentives, the proposed amendment provides rental abatement of \$80,434, which is the equivalent of four months of free rent that will be applied to the first year of the extended term. The proposed First Amendment will generate \$951,713 in net revenue over the 49-month term.

5. Fiscal Impact

Approval of this item will result in net revenue of \$951,713 to LAWA over the 49-month term after broker commissions and rental abatement are deducted.

6. Alternatives Considered

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

Taking no action is not recommended, as not approving the proposed First Amendment will risk the loss of the tenant, which would then result in the potential loss of revenue to 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 \$57,102.78 for broker commissions 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.