

Los Angeles
World Airports

March 6, 2014

The Honorable City Council
of the City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Subject: **APPROVAL OF LEASE WITH AIR NEW ZEALAND LIMITED FOR FACILITY
LOCATED AT 7007 WEST IMPERIAL HIGHWAY AT LOS ANGELES
INTERNATIONAL AIRPORT.**

LAX

LA/Ontario

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles

Gina Marie Lindsey
Executive Director

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval the Lease with Air New Zealand Limited for storage of aircraft parts and for an aircraft maintenance operation at Los Angeles International Airport.

RECOMMENDATION FOR CITY COUNCIL

1. **APPROVE** the Lease with Air New Zealand Limited at Los Angeles International Airport.
2. **CONCUR** in the Board's action authorizing the Executive Director to execute the Lease with Air New Zealand Limited.
3. **FIND** 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.

The Board of Airport Commissioners, at their meeting held on December 17, 2013, by Resolution No. 25299 approved the Lease with Air New Zealand Limited subject to the approval of your Honorable Body is attached.

There is no fiscal impact to the City's General Fund as a result of this action.

CONCLUSION

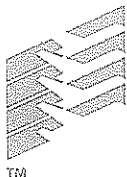
Please return the attached Lease with Air New Zealand Limited to the Department of Airports' Board Office after City Council approval and Certification of that approval.

Very truly yours,

Sandra J. Miller – Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

cc: Trade, Commerce and Tourism Committee
Councilmember LaBonge, E-file
Councilmember Bonin, E-file
Councilmember Buscaino, E-file
CAO (Airport Analyst), E-file
CLA (Airport Analyst), E-file
City Clerk's Office, Enc. (one original)





Los Angeles
World Airports

RESOLUTION NO. 25299

LAX

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**Board of Airport
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Executive Director

BE IT RESOLVED that the Board of Airport Commissioners approved a five (5)-year Lease with Air New Zealand Limited, and a building rental rate, for facility located at 7007 West Imperial Highway at Los Angeles International Airport, as referenced on the board report attached herein and made part hereof; and

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Executive Director to execute said 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, and renewals, amendments or extensions thereof, or other entitlements granting use of an existing airport facility 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 the Los Angeles City Charter Section 606.

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I hereby certify that this Resolution No. 25299 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Tuesday, December 17, 2013.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

Item Number

6

Report to the BOARD OF AIRPORT COMMISSIONERS

Approved by: Debbie Bowers
Ramon Olivares, Director, Leasing and Development

Reviewed by: Debbie Bowers
Debbie Bowers, Deputy Executive Director

J. Timothy
City Attorney

Gina Marie Lindsey
Gina Marie Lindsey - Executive Director

Meeting Date:

12/17/13

CAO Review:

☐ Completed
☒ Pending
☐ N/A

Reviewed for	Date	Approval Status	By
Capital Budget	11/08/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	11/14/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	11/8/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	ES
Procurement	12/03/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT

SUBJECT: Lease with Air New Zealand Limited and Building Rental Rate for Facility at 7007 W. Imperial Highway at Los Angeles International Airport

Approve a five-year Lease with Air New Zealand Limited and a building rental rate for facility located at 7007 W. Imperial Highway at Los Angeles International Airport that will generate approximately \$245,600 in annual revenue and \$1,228,000 over the five-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 the Lease with Air New Zealand Limited that will generate approximately \$1,228,000 in gross revenue over the five-year term.
4. FURTHER APPROVE the rental rate for the building located at 7007 W. Imperial Highway, as referenced in this report.
5. AUTHORIZE the Executive Director to execute the Lease, after approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

This action will award a five-year lease with one five-year extension option to Air New Zealand Limited (ANZ) to store aircraft parts and conduct an aircraft maintenance operation. In addition, Los Angeles World Airports (LAWA) will receive approximately \$245,600 in annual revenue, exclusive of annual rent adjustments, for a facility that has been vacant since August 2012.

2. Prior Related Actions

None

3. Current Action

On February 13, 2013, LAWA staff initiated a competitive process for premises located at 7007 W. Imperial Highway at Los Angeles International Airport (LAX) by releasing a Request for Lease Offer (RLO). ANZ was the only respondent to the RLO.

ANZ currently has an aircraft maintenance operation in Terminal 2 and has decided to move their operation to a stand-alone building outside of the terminal area. ANZ has proposed to lease space from LAWA to store aircraft parts, perform line maintenance, and locate staff for administrative and training purposes.

Under terms of the proposed lease, ANZ is required to invest at least \$1.5 million for tenant improvements and building systems. If the total project cost exceeds \$2 million for items that were not in the original project scope and are new requirements required by regulatory agencies, LAWA will provide rent credits up to an aggregate of \$200,000. Upon LAWA's inspection and approval, the rent credit will be paid in 24 equal monthly installments.

The proposed building rate of \$10.00 per square foot per year (PSFPY) is comparable to rates for similar buildings at LAX. (See attached Lease Comparison Table.) The building rate is subject to an annual CPI adjustment and a periodic five-year adjustment to fair market rental value. The land rate is Board-approved.

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

Proposed Lease Summary			
Term:	5 years with one 5-year extension option		
Commencement:	February 1, 2014		
Cancellation Provision:	None in first 5 years; 1 year in 5-year extension option period		
Tenant Investment	\$1,500,000		
<u>Demised Premises</u>	<u>Square Feet</u>	<u>Rental Rate/SF/YR</u>	<u>Rent/YR</u>
Land - On Airport Industrial	49,743	\$ 2.53	\$125,850
Paving - Auto Parking	39,219	\$ 0.37	\$ 14,511
Building - Office/Shop	10,524	\$10.00	\$105,240
Annual Rent:			\$245,601
Monthly Rent			\$ 20,467
Annual Adjustment	Consumer Price Index), with a minimum increase of 2%.		
Periodic Adjustment to Market Rent	Land to be adjusted 1/1/2016; Building adjustment 5 years from lease commencement.		
* Rates are rounded			

Action Requested

Staff requests the Board approve a five-year Lease and the five-year extension option, and the building rental rate with ANZ for the facility and authorize the Executive Director to execute the Lease after approval as to form by the City Attorney and approval of the Los Angeles City Council.

Fiscal Impact

Approval of the Lease will result in revenue to LAWA of approximately \$245,600 in revenue during the first year and approximately \$1,228,000 in gross revenue over the five-year term.

4. Alternatives Considered

- ***Take no action***

Taking no action is not recommended. The facility is currently vacant. Leasing the facility to ANZ will establish a new revenue stream for LAWA. Additionally, not leasing the premises would be an option if LAWA needed to use the facility for its own purposes.

- ***Lease the premises to a different tenant***

Leasing the premises to a different tenant is not a viable option as ANZ was the only respondent to the RLO released by LAWA.

APPROPRIATIONS:

Approval of this item will generate approximately \$1,228,000 in gross revenue, exclusive of rental adjustments, for LAWA during its five-year term.

STANDARD PROVISIONS:

1. The issuance of permits, leases, agreements, and renewals, amendments or extensions thereof, or other entitlements granting use of an existing airport facility 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 Lease is subject to approval as to form by the City Attorney.
3. Action taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of the Los Angeles City Charter, Section 606.
4. ANZ will comply with the provisions of the Living Wage Ordinance.
5. The Small Business Enterprise Program does not apply to leases.
6. ANZ will comply with the provisions of the Affirmative Action Program.
7. ANZ has been assigned Business Tax Registration Certificate number 0002650110-0001-4.
8. ANZ will comply with the provisions of the Child Support Obligations Ordinance.
9. ANZ has approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).

11. ANZ must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program prior to execution of the Lease Agreement.
12. ANZ 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. ANZ will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. ANZ must submit the Bidder Contributions CEC Form 55 and comply with its provisions prior to execution of the Lease Agreement.



Location Map



Site Map

Lease Comparison Table

Tenant Name and Lease Number	Property Address	Improvement Type	Building Area (SF)	Land Area (SF)	Rental Rate/Building (PSFPY)	Rental Rate/Land (PSFPY)
Air New Zealand Proposed Lease	7007 W. Imperial Hwy. LAX	Shop/Office	10,524	48,043	\$10.00	\$2.53
SIA Engineering LAA-8634A	7001 W. Imperial Hwy. LAX	Shop/Office	13,094	62,911	\$10.20	\$2.53
ServisAir LLC LAA-8366	7025 W. Imperial Hwy. LAX	Shop/Office	7,773	50,669	\$8.72	\$2.53
Gate Gourmet Int'l, Inc. UTC	6951 W. Imperial Hwy. LAX	Shop	3,200	81,388	\$8.20	\$2.53

NOTE: Building and Land rates are Board approved and are adjusted via the Consumer Price Index (CPI-U) Los Angeles-Riverside-Orange County.