

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 17, 2023

CAO File No. 0150-12394-0000

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer



Reference: Correspondence from Los Angeles World Airports Board of Airport Commissioners (Board) dated June 1, 2023 and June 12, 2023; referred by the Mayor for a report on June 1, 2023

Subject: **RESOLUTION NO. 27737 AND PROPOSED LEASE WITH CALPORTLAND COMPANY FOR THE 5299 WEST 111TH STREET PROPERTY AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Resolution No. 27737 authorizing a proposed five-year lease, with one five-year extension option with CalPortland Company for the 5299 West 111th Street property at Los Angeles International Airport, and approve the associated rental rates that will pay LAWA an estimated \$855,883 during the first year and approximately \$4,544,001 over the initial five-year term;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the June 12, 2023 Board of Airport Commissioners (Board) Resolution 27737, that this action is exempt from the CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and
3. Authorize the LAWA Chief Executive Officer, or designee, to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (Board) requested approval of its June 12, 2023 Resolution 27737 authorizing a proposed lease with CalPortland Company (CalPortland) to continue operating a ready-mix concrete batching plant located at 5299 West 111th Street, situated on the premises of Los Angeles International Airport (LAX). Approval of the proposed lease will establish a five-year term, with one five-year extension option, that will

generate non-aeronautical revenue for LAWA in the amount of \$855,883 during the first year and approximately \$4,544,001 over the first five years of the agreement. Upon approval by Council and execution by the LAWA Chief Executive Officer, the lease shall retroactively take effect on June 1, 2023.

The proposed lease has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds five years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On June 1, 2023 and July 12, 2023, the Board approved a LAWA staff report and Resolution 27737 requesting approval to execute a proposed lease with CalPortland consisting of a five-year term, with one five-year renewal option to operate a ready-mix concrete batching plant located at 5299 West 111th Street (West 111th Street), on the premises of LAX.

Holdover Tenancy - CalPortland has been leasing and operating its concrete production and supply services at the West 111th Street site since August 2010. However, the pre-existing lease (LAA-6249A) between LAWA and CalPortland lapsed on September 16, 2020, during the COVID-19 pandemic. To mitigate potential impacts from this uncertain period, LAWA allowed CalPortland to remain on the site as a holdover tenant and continue its operations. This decision was based on the fact that the previous lease provisions allowed for the continuation of occupancy and the ability for LAWA to adjust rental rates to fair market value. Consequently, the contractor is currently conducting its business activities on the West 111th Street site as a month-to-month tenant. The extension period of the tenancy has allowed the business economy to improve, in addition to providing LAWA with sufficient lead time to initiate a public solicitation process to procure a new lease. The revenue generated during this period, spanning from September 2020 to July 2023, amounts to \$2,199,716.

Competitive Selection Process – Given that no capital improvements to the site are deemed necessary, LAWA determined that the most cost-effective rental proposal for the facility would be achieved by maintaining its current use as a cement batching plant. Subsequently, the Department released a public Expression of Interest (EOI) to lease the property on January 5, 2022. CalPortland was the sole respondent to the competitive solicitation and met all of the requirements described in the EOI. As a result, LAWA staff awarded the lease to the existing tenant.

Terms of the Lease – CalPortland will assume full responsibility for all expenses and improvements related to the West 111th Street site, including capital replacement expenditures. Additional provisions in the agreement grants LAWA the option to require CalPortland to remove all site improvements, including an 858 square foot building and 50,000 square feet of paving, upon expiration of the lease. CalPortland is also required to undertake remediation measures for any environmental contamination that may exist upon termination of the lease.

Proposed Rental Income - To ensure that the new agreement for the site reflects the most current and optimal rental rate, LAWA and CalPortland established modernized lease provisions and market rates. LAWA shall collect land rent at fair market value for the duration of the proposed lease, resulting in revenue of approximately \$855,883 in the first year and \$4,544,001 over the initial five-year period, exclusive of annual rent rate increases and fair market value land rent adjustments. Pursuant to the lease, no rental fees shall be imposed on a pre-existing 858 square foot structure and a paved area covering 50,000 square feet, provided that the lessee assumes full responsibility for demolition, environmental compliance, and site grading of the premises upon early termination or expiration of the lease. Further, LAWA reserves the right to terminate the agreement upon 360-day notice after the initial five-year period.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On June 1, 2023, the Board determined that the proposed lease with CalPortland to continue operating a ready-mix concrete batching plant at Los Angeles International Airport will not directly impact the environment and is exempt from CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.

The proposed lease includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. The City Attorney has reviewed and approved the proposed lease. In accordance with Charter Section 606 and Administrative Code Section 10.5(c), the Agreement requires Council approval because the total term of the proposed Agreement exceeds five years. Our Office recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed lease, consisting of an initial five-year term, with one five-year extension option, with CalPortland Company for the property located at 5299 West 111th Street, situated on the premises of Los Angeles International Airport, will have no impact on the City's General Fund. Execution of the proposed lease will result in approximately \$855,883 in annual rent revenue to LAWA during the first year, and an estimated \$4,544,001 in net rental revenue over the initial five-year term (excluding automatic annual rental rate increases and fair market value land rent adjustments). The actions of the proposed lease comply with Los Angeles World Airports' adopted Financial Policies.

Attachment 1 – June 1, 2023 BOAC Report and June 12, 2023 Resolution No. 27737

June 07, 2023

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez, Legislative Coordinator
ATTN: Thomas Arechiga, Deputy Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Vanessa Aramayo
Matthew M. Johnson
Nicholas P. Roxborough
Karim Webb

Justin Erbacci
Chief Executive Officer

RE: Request to approve a five-year lease, with one five-year extension option, with CalPortland Company

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve a five-year lease, with one five-year extension option, with CalPortland Company, for the 5299 West 111th Street property at Los Angeles International Airport, that will generate revenue of approximately \$855,883 in the first year and \$4,544,001 over the initial five-year term, exclusive of periodic rental rate adjustments.

City Council approval is required pursuant to Section 606 of the Los Angeles City Charter.

Sincerely,



Justin Erbacci
Chief Executive Officer

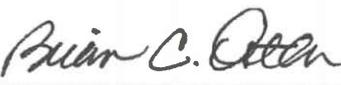
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Attachments





Item Number
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Report to the BOARD OF AIRPORT COMMISSIONERS

<i>Approver:</i>  <hr/> Dave Jones, Deputy Executive Director Commercial Development	Meeting Date																										
	6/1/2023																										
<i>Reviewer:</i>  <hr/> Brian C. Ostler, City Attorney  <hr/> Justin Erbacci (May 25, 2023 17:10 PDT) <hr/> Justin Erbacci, Chief Executive Officer	Needs Council Approval: <input checked="" type="checkbox"/> Y																										
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SUBJECT

Request to approve a five-year lease, with one five-year extension option, with CalPortland Company, for the 5299 West 111th Street property at Los Angeles International Airport, that will generate revenue of approximately \$855,883 in the first year and \$4,544,001 over the initial five-year term, exclusive of periodic rental rate adjustments.

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 proposed lease and associated rental rates with CalPortland Company as referenced in this report.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed lease upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

The purpose of this request is to request approval of a proposed lease with CalPortland Company (CalPortland) to operate a ready-mix concrete batching plant site located at Los Angeles International Airport (LAX). Approval of the proposed lease will allow CalPortland to continue providing concrete to the community, including for use in airport projects, with minimal delivery transit times, and will generate non-aeronautical revenue for Los Angeles World Airports (LAWA).

2. Prior Related Actions/History of Board Actions

- **June 17, 1989 – Board Order No. AO-4131 (LAA-6249)**
The Board of Airport Commissioners (Board) approved a 20-year lease with Greene's Ready Mixed Concrete Company for establishment and operation of a ready-mix concrete batching plant facility.
- **August 2, 2010 – Board Order No. AO-5174 (LAA-6249A)**
The Board consented to the assignment of the lease from Greene's Ready Mixed Concrete Company to CalPortland and approved the First Amendment granting a 10-year extension of the term with an expiration date of September 16, 2020.

3. Background

In 1989, Greene's Ready Mixed Concrete Company leased approximately 93,070 square feet (SF) of land at 5299 West 111th Street to install and operate a ready-mix concrete batching plant (see vicinity/site map attached). The plant provides high-volume, ready-to-pour concrete for use by numerous contractors constructing projects throughout the area, including projects at LAX.

On August 2, 2010, the Board consented to an assignment of the Greene's Ready Mixed Concrete Company lease to CalPortland and extended the lease term for 10 years. The ready-mix concrete batching plant improvements and trade fixtures vested in CalPortland at that time.

The lease expired on September 16, 2020, and currently is in month-to-month holdover status. CalPortland approached LAWA staff to request a new lease and, upon review of land use options, LAWA determined the site can be leased for five to ten years without conflicting with potential future uses. Therefore, in accordance with City of Los Angeles competitive solicitation requirements, LAWA staff released a Request for Expression of Interest (EOI) to solicit interest in leasing the site. CalPortland, the current tenant, was the sole respondent to the EOI and met the EOI's requirements.

4. Current Action/Rationale

Pursuant to the EOI, LAWA staff negotiated the proposed lease with CalPortland for a five-year term, with one five-year tenant option to extend the term. Los Angeles World Airports retains the right, only during the optional extension period, to terminate for convenience upon 360-days' notice. Los Angeles World Airports will collect fair market value land rents throughout the term of the proposed lease, which will generate approximately \$855,883 in

the first year and \$4,544,001 over the initial five-year term. Land rent will be adjusted annually by three percent effective July 1 every year and will be subject to a periodic five-year fair market value land rent adjustment on July 1, 2025.

CalPortland will be responsible for all maintenance and repair costs, as well as capital replacement expenditures associated with the site and improvements thereon. The proposed lease also will provide LAWA the option to make CalPortland remove all site improvements, including an 858 SF building and 50,000 SF of paving, upon expiration of the existing lease. CalPortland also must remediate any environmental contamination at lease termination.

Except as otherwise specifically noted within this report, the proposed lease includes all standard LAWA terms and provisions. Key elements of the proposed replacement lease are shown in the table below:

	Existing Lease (Presently in Month-to-Month Holdover)	Proposed Lease
Term		
Effective Date:	September 17, 1990	Upon execution*
Expiration Date:	September 16, 2020	5 years after execution
Option to Extend:	N/A	5 years by CalPortland Election
Early Termination:	For cause / casualty	For cause / casualty; or, during option period, for LAWA's convenience, upon 360-days' advance written notice
Premises		
Land	93,070 SF	93,070 SF
Rental Rates		
Land:	\$8.95 PSFPY	\$8.95 PSFPY*
First Year Rent*		\$855,883
Total Rent (5 Years)*		\$4,544,001
Rental Rate Adjustments		
Annual Adjustment:	CPI on July 1	3% on July 1
Periodic Adjustment:	Land Rate Adjustment: Every 5 years	Land Rate Adjustment: Every 5 years (July 1, 2025)

* Rental calculations presume a June 1, 2023 effective date.

CalPortland has accepted the lease terms as stated. Los Angeles World Airports staff requests that the Board approve the proposed lease with CalPortland and authorize the Chief Executive Officer to execute the proposed lease after approval as to form by the City Attorney, and approval by the Los Angeles City Council.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: Sustain a Strong Business: Diversify and grow revenue sources, and manage costs. Approval of the lease with CalPortland will provide for ongoing concrete batching operations, increase non-aeronautical revenue, and potentially control delivery transit costs of site-poured concrete required for LAWA projects.

5. Selection Process

On January 5, 2022, LAWA released a public EOI to lease the property. The goal of the EOI was to identify parties to continue use as a concrete batching plant and generate revenue to LAWA. LAWA staff determined that continued use of the site as a cement plant would result in the highest rent proposal as no significant capital improvements would be required. The EOI was posted on the Regional Alliance Marketplace for Procurement (RampLA), with the submission deadline of February 17, 2022. CalPortland, the current tenant, was the sole respondent to the EOI and met the EOI's requirements. As a result of the competitive selection process, staff requests that the Board approve the proposed lease and authorize the Chief Executive Officer, or designee, to execute the lease after approval as to form by the City Attorney and approval by the Los Angeles City Council.

6. Fiscal Impact

Approval of the proposed lease will generate approximately \$855,883 in revenue in the first year and \$4,544,001 over the initial five-year term of the lease, exclusive of the July 1, 2025, periodic land rental rate adjustment.

7. Alternatives Considered

- **Take No Action**

Taking no action is not recommended. With no additional prospects showing interest in the available leased area, a loss of revenue could result if CalPortland were to relocate, and repurposing the site to another use would be a lengthy and uncertain process.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

1. 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 or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. 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.
4. CalPortland Company will comply with the provisions of the Living Wage Ordinance.
5. The Business Enterprise (BE) Programs do not apply to leases.
6. CalPortland Company will comply with the provisions of the Affirmative Action Program.

7. CalPortland Company has been assigned Business Tax Registration Certificate No. 0000832245-0005-2.
8. CalPortland Company will comply with the provisions of the Child Support Obligations Ordinance.
9. CalPortland Company has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. CalPortland Company has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. CalPortland Company has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. CalPortland Company will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. CalPortland Company has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. CalPortland Company has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This item is not subject to the provisions of the Iran Contracting Act.



June 12, 2023

The Honorable City Council
of the City of Los Angeles
(via email)

Subject: Lease with CalPortland Company

Pursuant to Section 606 of the City Charter, enclosed for your approval is the Lease with CalPortland Company, approved by the Board of Airport Commissioners at its June 1, 2023 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Vanessa Aramayo
Matthew M. Johnson
Nicholas P. Roxborough
Karim Webb

Justin Erbacci
Chief Executive Officer

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board that the 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; and
2. Approve the Lease with CalPortland Company, for term of five (5) years with a five (5)-year extension option, covering the property located at 5299 West 111th Street within Los Angeles International Airport; and
3. Concur with said Board's action on June 1, 2023, by Resolution 27737, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Lease with CalPortland Company.

Very truly yours,

Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

GM/lfc

Enclosures

- cc: Trade, Travel and Tourism Committee
Councilmember Park, e-file
Councilmember McOsker, e-file
Councilmember Soto-Martinez, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27737

WHEREAS, on recommendation of Management, there was presented for approval, Lease with CalPortland Company, for term of five (5) years with a five (5)-year extension option, and associated rental rates, covering the property located at 5299 West 111th Street within Los Angeles International Airport; and

WHEREAS, in 1989, Greene's Ready Mixed Concrete Company leased approximately 93,070 square feet of land at 5299 West 111th Street to install and operate a ready-mix concrete batching plant. The plant provides high-volume, ready-to-pour concrete for use by numerous contractors constructing projects throughout the area, including projects at Los Angeles International Airport (LAX); and

LAX

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Matthew M. Johnson
Nicholas P. Roxborough
Karim Webb

Justin Erbacci
Chief Executive Officer

WHEREAS, in August 2010, the Board of Airport Commissioners consented to the assignment of the Greene's Ready Mixed Concrete Company lease to CalPortland Company (CalPortland) and extended the lease term for ten (10) years. The ready-mix concrete batching plant improvements and trade fixtures vested in CalPortland at that time; and

WHEREAS, the lease expired on September 16, 2020, and is currently on month-to-month holdover status. CalPortland approached Los Angeles World Airports (LAWA) staff to request a new lease and, upon review of land use options, LAWA determined that the site can be leased for five to ten years without conflicting with potential future uses. Therefore, in accordance with City of Los Angeles competitive solicitation requirements, LAWA staff released a Request for Expression of Interest (EOI) to solicit interest in leasing the site; and

WHEREAS, the goal of the EOI was to identify parties to continue use as a concrete batching plant and generate revenue to LAWA. LAWA staff determined that continued use of the site as a cement plant would result in the highest rent proposal as no significant capital improvements would be required. CalPortland, the current tenant, was the sole respondent to the EOI and met the EOI's requirements; and

WHEREAS, pursuant to the EOI, LAWA staff negotiated the Lease with CalPortland for term of five (5) years with a five (5)-year tenant option to extend the term. LAWA retains the right, only during the optional extension period, to terminate for convenience upon 360-days' notice. LAWA will collect fair market value land rents throughout the term of the Lease, which will generate approximately \$855,883 in the first year and \$4,544,001 over the initial five (5)-year term. Land rent will be adjusted annually by 3% effective July 1 every year, and will be subject to a periodic five (5)-year fair market value land rent adjustment on July 1, 2025; and

WHEREAS, CalPortland will be responsible for all maintenance and repair costs, as well as capital replacement expenditures associated with the site and improvements thereon. The Lease will also provide LAWA the option to make CalPortland remove all site improvements, including an 858-square foot building and 50,000 square feet of paving, upon expiration of the existing lease. CalPortland must also remediate any environmental contamination at lease termination; and

WHEREAS, except as otherwise specifically noted within this Resolution, the Lease includes all standard LAWA terms and provisions. CalPortland has accepted the lease terms; and



WHEREAS, following are the key elements of the new Lease:

	Existing Lease (on month-to-month holdover)	New Lease
Term:		
Effective Date	September 17, 1990	upon execution*
Expiration Date	September 16, 2020	five (5) years after execution
Option to Extend	n/a	five (5) years by CalPortland election
Early Termination	for cause / casualty	for cause / casualty; or, during option period, for LAWA's convenience, upon 360-days' advance written notice
Premises:		
Land	93,070 square feet	93,070 square feet
Rental Rates:		
Land	\$8.95/square foot/year	\$8.95/square foot/year*
First Year Rent*		\$ 855,883
Total Rent [five (5) years]*		\$4,544,001
Rental Rate Adjustments:		
Annual Adjustment	CPI on July 1	3% on July 1
Periodic Adjustment	Land Rate Adjustment: every five (5) years	Land Rate Adjustment: every five (5) years (July 1, 2025); and

* Rental calculations presume a June 1, 2023 effective date.

WHEREAS, issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and

WHEREAS, CalPortland will comply with the provisions of the Living Wage Ordinance, Affirmative Action Program, and Child Support Obligations Ordinance; and

WHEREAS, CalPortland has been assigned Business Tax Registration Certificate 0000832245-0005-2; and

WHEREAS, CalPortland has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, CalPortland has submitted the Contractor Responsibility Program Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, CalPortland has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, CalPortland will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

WHEREAS, CalPortland has submitted the Bidder Contributions CEC Form 55, and will comply with its provisions; and

WHEREAS, CalPortland has submitted the MLO Bidder Contributions CEC Form 50, and will comply with its provisions; and

WHEREAS, 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined 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; approved the Lease with CalPortland Company, for term of five (5) years with a five (5)-year extension option, and associated rental rates, covering the property located at 5299 West 111th Street within Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Lease with CalPortland Company after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27737 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 1, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS