



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

Holly Wolcott, City Clerk
200 North Spring St., Room 395
Los Angeles, CA 90012

February 8, 2024

Dear Ms. Wolcott:

Please find attached a written threat of litigation relating to Council File 24-0125. The author of the attached letter also made an oral threat of litigation on the record during public comment (a recording of which is available on the Clerks' website) at the February 8, 2024 special Trade, Travel and Tourism committee. Please place this letter and the attachment into the Council File. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Strefan Fauble". The signature is fluid and cursive, with the first name "Strefan" and last name "Fauble" clearly distinguishable.

Strefan Fauble
Assistant City Attorney

February 7, 2024

Client-Matter: 49017-032

VIA E-MAIL

Hon. Traci Park
Hon. Hugo Soto-Martinez
Hon. Tim McOsker
Trade Travel & Tourism Committee
c/o Conrad Rodriguez, Legislative Assistant
Los Angeles City Council
200 N. Spring St., Rm. 1010
Los Angeles, CA 90012
Email: conrad.rodriguez@lacity.org
Email: councilmember.park@lacity.org
Email: councilmember.soto-martinez@lacity.org
Email: councilmember.mcosker@lacity.org

Re: Bonseph Helinet / Lease at 16231 Waterman Drive / Agenda Item No. 3

Honorable Councilmembers:

This firm represents Bonseph Helinet, LLC (“BHL”). On February 8, 2024, the Trade, Travel, and Tourism Committee (“TTT”) will consider Agenda Item No. 3 concerning whether to approve the award of a lease (“Lease”) at 16231 Waterman Drive (“Site”) at the Van Nuys Airport (“VNA”). *See* Council File No. 24-0125. The approval of the Lease, as opposed to the project itself—which has yet to be finalized and requires entitlements/other City approvals (the Lease gives BHL five years to undertake such an effort)—is not before the Council. *Id.*

As discussed below, any action by TTT (or the City Council as a whole) to approve or disapprove the Lease is time-barred. Therefore, we urge TTT to withdraw Agenda Item No. 3. Los Angeles World Airports (“LAWA”) has the sole authority now to move forward and execute the Lease in accordance with the Los Angeles City Charter (“Charter”).

Section 606 of the Charter (“Section 606”) governs lease approvals arising from proprietary departments such as LAWA. The Charter states in relevant part—

Board action . . . approving leases shall be taken by order or resolution. *If the board’s order or resolution . . . approves a lease for a term greater than five years, it shall be submitted to Council for its approval or disapproval. The Council may, by ordinance,*

further define what constitutes a term of more than five years.
Unless Council takes action disapproving the . . . lease within 30 days after submission of it to Council, the . . . lease shall be deemed approved. If Council does not approve the . . . lease, Council shall return it to the originating board for reconsideration and resubmission.

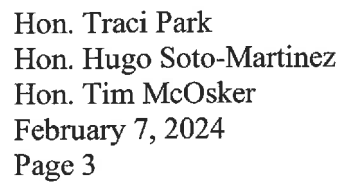
(Emphasis added).

When a decision is made by a Board to approve a lease, “it ***shall*** be submitted to Council.” A Board approval starts the clock. And if the Council fails to act within the prescribed time following approval, the Board action is “deemed approved.” The process is simple. Boards approve leases. Once approved, the Council has 30 days to act. The Council has the discretion to disapprove by a time certain. It has no discretion to delay its decision should it wish to override a Board approval. This is no different than other self-executing Charter provisions, such as Section 245, specifying that unless the Council acts within a time certain, the Council relinquishes its authority to act.

The framers of the Charter put Section 606 into place, as it did with similar provisions, to make City government run smoother—and to give confidence to proprietary departments and the public that once decisions are made the approval (or disapproval) process is not dragged on indefinitely. By conferring “disapproval” authority to the Council on a time-limited basis, the Charter restrains the politicization of the basic business of the City’s proprietary departments, who oversee our essential municipal facilities. Absent that restraint, City Councilmembers, lobbyists, or others would have the ability to pressure, cajole, manipulate, or game departments to hold items indefinitely, overriding the authority of Boards, and conferring discretion (i.e., when the discretion of when a matter gets submitted to Council) to department personnel, City Councilmembers, lobbyists, or others when no such discretion exists in the Charter.

Section 606 prohibits any action that may be before TTT or the Council in connection with the Lease. On December 1, 2022, the Board of Airport Commissioners (“BOAC”) unanimously approved the Lease. The BOAC approval states, “***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.***” On December 1, 2022, the 30-day clock started running under the Charter. The Council had 30 days to disapprove. The Council never acted.

And even the clock did not start running at the point of Board approval, on December 15, 2022, LAWA submitted the Lease approval to the City Council. *See* Attachment 1 (CAO Report at pp. 16–22) (letter from LAWA to the City Council submitting the Lease for “your [City Council] approval”); *see infra*. LAWA also submitted the approval to the City Clerk, the CAO, the CLA, and TTT, among others. At best, the Council had until January 15, 2023 to act—over a year ago.



Submission to Council



We appreciate that in the normal course, after the Board acts and a Council file is opened, timely consideration by TTT and the Council follows. However, in the normal course, TTT does



Hon. Traci Park
Hon. Hugo Soto-Martinez
Hon. Tim McOsker
February 7, 2024
Page 4

not wait 14 months after a Board approval to hear a matter. If LAWA, TTT, or other Council offices held the Lease from a further Council hearing, there was no authority to do so. Any such action would be a classic example of the very abuse of process Section 606 is designed to prevent. Approval is not intended for behind-the-scenes maneuvering. Accordingly, the process that TTT now pursues, which apparently depends on agendizing the matter after the fact is void. It is not specified in the Charter or the Administrative Code, nor is it reflected in any regulation or policy that has the force and effect of law.

There is no question that every Council office interested in the Lease including TTT members, members representing Council Districts 4 and 6, and the City Council President, were aware of the submission of the Lease to the Council. Likewise, LAWA, members of the community, and BHL participated in meetings, communications, and other discussions relating to the Lease with those Council offices. Councilmembers even pursued amendments to the project, which obviously would not have occurred if the Council were not aware of the matter. BHL engaged in those discussions in good faith, as we expect others did, because they were relevant to the future of the Project, but that does not invalidate the requirements of Section 606. If anything, the communications concerning the project illustrate that once there is a Board lease approval, the clock was running.

Respectfully, the Charter should not be undermined by the selective or unpredictable enforcement of rules. Accordingly, BHL views any action other than the execution of the Lease as null and void. While BHL has no desire to engage in an adversarial process, if given no other choice, BHL is prepared to explore and exercise all legal rights and remedies to enforce its rights.

Sincerely,

/s/ Brandon D. Young

Brandon D. Young

Attachment

cc: Hon. Paul Krekorian, Council President, District 2 (paul.krekorian@lacity.org)
Hon. Nithya Raman, Councilmember, District 4 (nithya.raman@lacity.org)
Hon. Imelda Padilla, Councilmember, District 6 (councilmember.padilla@lacity.org)
Karo Torossian, Chief of Staff, District 2 (karo.torossian@lacity.org)
Andrea Conant, Chief of Staff, District 4 (andrea.conant@lacity.org)
Ackley Padilla, Chief of Staff, District 6 (ackley.padilla@lacity.org)
Star Parsamyan, Chief of Staff, District 11 (star.parsamyan@lacity.org)
Patricia Castellanos, Chief of Staff, District 13 (patricia.castellanos@lacity.org)



Hon. Traci Park

Hon. Hugo Soto-Martinez

Hon. Tim McOsker

February 7, 2024

Page 5

Jeanne Min, Chief of Staff, District 15 (jeanne.min@lacity.org)

Brian Ostler, Esq., General Counsel, LAWA (bostler@lawa.org)

Hector Emilio Corea, Esq., Assistant General Counsel, LAWA (hector.corea@lacity.org)

REPORT FROM

ATTACHMENT 1

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 26, 2023

CAO File No. 0150-12245-0000

Council File No.

Council District: 6

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles World Airports dated December 1, 2022 and December 15, 2022; referred by the Mayor for a report on December 1, 2022

Subject: **PROPOSED 25-YEAR LEASE WITH BONSEPH HELINET, LLC FOR POTENTIAL REDEVELOPMENT OF LAND AND EXISTING FACILITIES AT THE 16231 WATERMAN DRIVE PROPERTY AT VAN NUYS AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA; Department) Resolution No. 27641 authorizing a proposed Lease Agreement with Bonseph Helinet, LLC to redevelop land and existing facilities at 16231 Waterman Drive at Van Nuys Airport for a 105-day pre-term, a five-year primary term, and a 20 year renewal option, effective upon the lease commencement date and expiring 25 years thereafter, resulting in rent revenue of \$265,957 paid to LAWA during the first year and \$1,460,854 through year five, yielding approximately \$8,698,709 over the total lease term; and,
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed Lease and return the Resolution documents to LAWA for further processing, including Council consideration.

SUMMARY

On December 1, 2022, the Los Angeles World Airports (LAWA; Department) Board of Airport Commissioners (BOAC) request for approval of a five-year lease (Lease; Agreement) with a 20-year renewal option to Bonseph Helinet, LLC (Bonseph Helinet; Tenant) for 4.22 acres of land and 17,253 square feet (SF) of office and hangar space at Van Nuys Airport (VNY). Authorization of the lease will yield \$265,957 in rent to LAWA during the first year, \$1,460,854 through the five-year primary term, and approximately \$8,698,709 over the 25-year duration. Execution of the proposed Lease become effective when the Agreement is signed and LAWA delivers the facility to the tenant.

BACKGROUND

The lease conditions incorporate a multi-phased approach to reach the maximum term limit consisting of a 105-day pre-term, a five-year primary term, and a 20-year extension option. Prerequisites of each phase must be fulfilled sequentially and within a fixed timeframe to achieve the full 25-year term, otherwise, LAWA has the authority to terminate the Agreement upon conclusion of the pre-term or primary term. The term, extension options, and initiation of the steps are detailed below.

Pre-term Period – An inspection period for the tenant to clear various conditions, including an environmental review of the property and compliance regulations with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act. Bonseph Helinet is also required to administer public outreach efforts as part of the CEQA process and must include the VNY Citizens Advisory Committee.

Primary Five-year Term – Allotted time for tenant to secure the necessary approvals, permits to redevelop the premises, and complete construction activities. Bonseph Helinet estimates that a two-year timeframe should be sufficient to conduct its due diligence and finish the site redevelopment plan while maintaining conformance with the VNY's Master Plan. Prior to construction, the proposed improvements are subject to Board consideration as the City of Los Angeles (City) reserves the right to adopt all mitigation measures for any proposed development, including "no project" alternatives. Under this guideline, no new project developments will occur. Instead, the existing site will remain in its original form.

Extension Option – An automatic 20-year extension of the term will commence assuming that the tenant fulfills the agreed upon redevelopment plans of the complex within the five-year primary term.

Presently, Air Center Aviation, Inc. of Avermco Corporation (Air Center) has been leasing the 16231 Waterman Drive (Waterman Drive) property at Van Nuys Airport (VNY) through a series of consecutive leases since 1972. The provisions of Charter Section 607(a) "Limitations on Franchises, Concessions, Permits, Licenses and Leases", limit LAWA leases to a maximum of 50 years. Consequently, Air Center's 50-year occupancy prompted the City Attorney to advise LAWA to initiate a competitive process to award a new master tenant for the property after 2022. The most current lease with Air Center was amended on September 6, 2018, providing an 18 month term extension, enabling LAWA sufficient time to conduct a competitive solicitation to acquire a new lessee. Air Center's lease lapsed on June 30, 2020 and the lessee is operating as a holdover tenant. It is expected that the Air Center will vacate the Waterman Drive premises by May 1, 2023.

Efforts to Acquire a New Tenant - In July 2021, LAWA released a Request for Proposals (RFP) comprised of a strategy to secure a long-term tenant to redevelop the site with modern and sustainable facilities to support a full range of general aviation operations, other non-Fixed Base Operators (FBO) aviation activities (Attachment 2), and sustainable revenue generating opportunities at Van Nuys Airport. The due date was extended twice to ensure that potential proposers had sufficient time to prepare and submit a proposal, however, Bonseph Helinet was the

sole respondent to the competitive solicitation. The proposal was rated independently by an Evaluation Panel of senior-level staff, which deemed Bonseph Helinet as a viable tenant for the Waterman Drive property because it demonstrated extensive knowledge, experience, and expertise in the areas of aviation operations, construction, real estate development, and property management services through the various holding companies contained in its business structure. Subsequently, LAWA proceeded negotiations with Bonseph Helinet for tenancy at the Waterman Drive property for a 25-year term.

Modernization Plans - The proposed redevelopment plan of the premises includes demolishing four existing City buildings and reconstructing two new 30,000 square feet (SF) hangars, one 15,000 SF office terminal/shop space, renovation of 72,000 SF of various ramp areas, and other related site improvements. The total investment amount of the proposed redevelopment is \$19.5 million and Bonseph Helinet guarantees the capital investment required to complete the project. As part of the proposed capital investment plan, all tenant improvements made to the premises by Bonseph Helinet will convert to LAWA ownership upon expiration of the Lease.

Bonseph Helinet is also responsible for renovating LAWA's existing offsite VNY Observation Area. The renovation include improvements to the existing parking lot and repairs or upgrades to the outdoor furniture and equipment. This area is open to the public from 8 a.m. to sunset and features historical and informational exhibits, picnic benches and a children's activity area. From this location, visitors can watch aircraft take off and land while listening to a live broadcast of air traffic control tower frequency.

Financial Benefits - Under the conditions of the proposed Lease, the tenant is obligated to begin remitting monthly rent installments for the land and buildings upon execution of the Agreement. The payment structure for Bonseph Helinet includes a one-time City acquisition fee in the second quarter of 2024, supplemental rent commencing in year three, and an 18 month lease term for vacant land adjacent to the primary leased premises. The table below presents the financial basics for the first five years of the Lease from 2023 through 2027:

| Bonseph Helinet's Rent Categories | 2023 | 2024 | 2025 | 2026 | 2027 | Five Year Totals |
|--|------------------|------------------|------------------|------------------|------------------|-------------------------|
| Ground Rent | \$183,810 | \$189,325 | \$195,004 | \$200,855 | \$206,880 | \$975,874 |
| Hangar Rent | \$29,828 | - | - | - | - | \$29,828 |
| Hangar/Office | \$52,319 | - | - | - | - | \$52,319 |
| Acquisition Fee | - | \$80,000 | - | - | - | \$80,000 |
| Vacant Parcel | - | \$108,021 | \$55,631 | - | - | \$163,652 |
| Supplemental Rent | - | - | \$51,500 | \$53,045 | \$54,636 | \$159,181 |
| Subtotals | \$265,957 | \$377,346 | \$302,135 | \$253,900 | \$261,516 | \$1,460,854 |

**The vacant parcel is subject to an annual rent rate adjustment in year three only, while the supplemental rent is subject to annual rent escalations in year four and throughout the remaining lease term.*

CITY COMPLIANCE

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

FISCAL IMPACT STATEMENT

Approval to award a proposed 25-year Lease to Bonseph Helinet, LLC at 16231 Waterman Drive at Van Nuys Airport will have no impact on the City's General Fund. LAWA will collect \$265,957 in rent revenue during the first year and \$1,460,854 through the primary five-year term, yielding approximately \$8,698,709 over the 25-year term. The actions of the proposed Lease comply with the Los Angeles World Airports' adopted Financial Policies.

Attachment 1 – BOAC December 1, 2022 Report and December 15, 2022 Resolution
Attachment 2 – Non-Fixed Base Operators (FBO) Aviation Activities

MWS/PJH/JVW:DG:10230073



December 07, 2022

The Honorable Eric Garcetti
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez
Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

RE: Request for approval of a proposed lease for up to 25 years with Bonseph Helinet, LLC

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request for approval of a proposed lease for up to 25 years with Bonseph Helinet, LLC, for the potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport.

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

Sincerely,

A handwritten signature in black ink, appearing to be "JE", written over a circular embossed seal.

Justin Erbacci
Chief Executive Officer

JPE:MSA:KSF
Attachments





Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

Dave Jones, Deputy Executive Director
Commercial Development

Reviewer:

Brian C. Ostler, City Attorney *mt*

Justin Erbacci (Nov 21, 2022 18:21 PST)

Justin Erbacci, Chief Executive Officer

Meeting Date

12/1/2022

Needs Council Approval: ☒ Y

| Reviewed for/by | Date | Approval Status | By |
|--------------------|------------|---|----|
| Finance | 11/3/2022 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> NA | JS |
| CEQA | 10/12/2022 | <input checked="" type="checkbox"/> Y | VW |
| Procurement | 6/21/2022 | <input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond | BG |
| Guest Experience | 5/20/2022 | <input checked="" type="checkbox"/> Y | TB |
| Strategic Planning | 5/18/2022 | <input checked="" type="checkbox"/> Y | KC |

SUBJECT

Request for approval of a proposed lease for up to 25 years with Bonseph Helinet, LLC, for the potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport.

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. FIND that the Request for Proposal process used in this competitive award process satisfies the requirements of Administrative Code Section 10.17 and is compatible with the City's interests.
4. FURTHER FIND that Bonseph Helinet, LLC is responsive and responsible, that entering into this lease is in the City's best interest, and that any informality in the proposal should be waived.
5. APPROVE the award of a 5-year lease with 20-year option to Bonseph Helinet, LLC as referenced in this report.
6. AUTHORIZE the Chief Executive Officer, or designee, to execute the lease with Bonseph Helinet, LLC upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff requests that the Board of Airport Commissioners award a new lease for the potential redevelopment of the property located at 16231 Waterman Drive at Van Nuys Airport (VNY).

2. Prior Related Actions/History of Board Actions

- **January 12, 1972 – Resolution No. 6814 (Lease LAA-1188)**
The Board of Airport Commissioners (Board) approved an assignment to Air Center Aviation, Inc. of Avemco Corporation (Air Center), Lease LAA-1188, at VNY.
- **July 31, 1985 – Board Order No. AO-3824 (Lease VNA-4967)**
The Board authorized a lease with Air Center, which covered 0.365 acres of land at VNY and adjoining premises, under Lease LAA-1188.
- **April 20, 1988 – Board Order No. AO-4056 (Lease VNA-5697)**
The Board authorized a month-to-month replacement lease with Air Center, which covered 4.8650 acres of land at VNY, and replaced Leases LAA-1188 and VNA-4967.
- **August 22, 1990 – Board Order No. AO-4228 (Lease VNA-6713)**
The Board authorized a five-year lease with Air Center, which covered 4.4585 acres of land at VNY, and replaced Lease VNA-5697.
- **July 27, 1992 – Board Order No. AO-4350 (Lease VNA-7211)**
The Board authorized an interim five-year replacement lease with Air Center, covering 4.4585 acres at VNY, and rescinded Board Order No. AO-4228.
- **July 14, 1998 – Board Order No. AO-4664 (Lease VNA-7754)**
The Board authorized a five-year replacement lease with Air Center covering 4.3253 acres at VNY.
- **November 14, 2013 – Resolution No. 25266 (Lease VNA-8795)**
The Board authorized a five-year replacement lease and building rental rates with Air Center covering 4.3253 acres at VNY.
- **September 6, 2018 – Resolution No. 26587 (Lease VNA-8795A)**
The Board approved a First Amendment to Lease VNA-8795 with Air Center to extend the term by 18 months. The First Amendment allowed Air Center to continue its general aviation operations at VNY while Los Angeles World Airports (LAWA) staff conducted a Request for Proposals (RFP) process for a new lease.

3. Background

Since 1972, the 16231 Waterman Drive property, which consists of 4.22 acres of land and 17,253 square feet of office and hangar space, has supported general aviation activities, including helicopter repair, flight school operations, and hangar and tie-down rentals. During this period, the property has been occupied by the current tenant through a series of consecutive leases.

Section 607(a) of the Los Angeles City Charter limits LAWA leases to a maximum of 50 years. As the existing tenant has occupied the premises since 1972, the City Attorney advised that a competitive process would be required to provide a new lease for the site after 2022. Therefore, on September 6, 2018, the Board approved an amendment to Lease VNA-8795 with Air Center Aviation Inc. to extend the term by 18 months in order to provide time for LAWA staff to conduct a competitive solicitation for the opportunity to lease the premises. The current lease expired on June 30, 2020, and the existing tenant is in holdover status.

Los Angeles World Airports conducted an RFP solicitation for this property with the goal to redevelop the site with modern and sustainable facilities that support helicopter operations and other non-Fixed Base Operators (FBO) aviation activities, enhance revenues to LAWA, and promote efficient and sustainable aircraft operations at VNY.

4. Current Action/Rationale

In response to the RFP, LAWA received one proposal from Bonseph Helinet, LLC (Bonseph Helinet). The proposal was scored and deemed acceptable by the evaluation panel. Bonseph Helinet is a newly formed, privately held limited liability company comprised of Helinet Aviation Services LLC (Helinet), the Castagna 1998 Trust (Castagna Trust), and Bonseph Holdings Van Nuys Inc. (Bonseph). Helinet, a woman-owned business, currently operates a helicopter maintenance facility as a subtenant of the current leaseholder on the 16231 Waterman Drive property. Castagna Trust is the managing partner of Aeroplex Group Partners that provides operations, construction, and property management services. Bonseph brings experience and knowledge in real estate development and investment and will guarantee the capital investment required to complete the proposed development.

Bonseph Helinet presented a thorough plan for the proposed site that meets LAWA's goals to redevelop the site to support a full range of non-FBO aviation activities, including helicopter operations, promoting efficient and sustainable aircraft operations, and providing appropriate revenues to LAWA. Therefore, LAWA staff negotiated the proposed lease with Bonseph Helinet.

Approval of the proposed lease is just a step in the potential redevelopment process. At this point, the proposed lease will provide Bonseph Helinet the property and contractual rights necessary to seek all required approvals of the proposed project. The proposed lease does not guarantee any redevelopment and will terminate after five years if the proposed project does not receive all required regulatory clearance and approvals.

Proposed Redevelopment

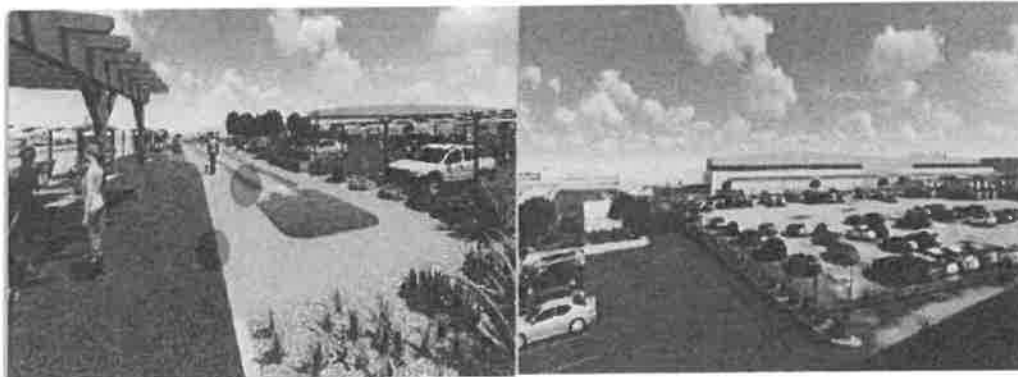
Bonseph Helinet proposes to invest \$19,500,000 to redevelop the premises to optimize efficient operations through modern and sustainable facilities to support the non-FBO aviation services and the continuation of the helicopter operations. Bonseph Helinet proposes to construct two new 30,000 square feet (SF), state-of-the-art hangars; 15,000 SF of office terminal/shop space; 72,000 SF of renovated ramp areas; and additional related improvements consisting of landscape, hardscape, sidewalk, and parking. The proposed redevelopment project will comply with CALGreen Tier One requirements, which will provide the framework for sustainable infrastructure, enhance indoor environmental quality, and optimize operational and maintenance practices.



Community Benefit

Helinet currently employs approximately 85 people. Bonseph Helinet's proposed development project will support over 100 high-wage, local jobs (with an average annual income of \$87,000) through continuation of Helinet's operations at VNY. Helinet has committed to working with local technical aviation colleges to provide internships across its different business lines for students seeking careers in aviation, with the intent of hiring aviation mechanics and growing its pilot staff. In addition, the project will create additional space for aviation support businesses that provide further high-wage employment opportunities.

In addition, Bonseph Helinet proposes to renovate the VNY Observation Area as a community benefit, at a value estimated at \$350,000, at no cost to LAWA. Bonseph Helinet plans to renovate the existing 6,820 SF Observation Area and realign the parking to allow access from Lindbergh Street. This adjustment will nearly triple the parking area from 4,070 SF to 11,465 SF.



Rent to LAWA

Bonseph Helinet's proposal offered fair compensation to LAWA for demolition of the existing facilities, in addition to fair market rent for the premises, with an annual, fixed, three percent increase. Bonseph Helinet also agreed to pay additional rent of \$50,000 per year from the construction completion date through the term of the lease. Further, Bonseph temporarily

will rent an adjacent vacant parcel to support operations during construction, which will provide approximately \$108,021 in additional rent during the construction phase.

The annual revenue to LAWA from ground and building rent is \$265,957 in the first year. In addition, LAWA will receive a one-time payment of \$80,000 for the buyout of the structures on the site.

Proposed Lease Summary

The proposed lease includes a pre-term that commences on the date the lease is signed and the property is delivered to Bonseph Helinet. This initial pre-term provides Bonseph Helinet a 105-day period to conduct an environmental review of the property. Bonseph will pay full rent during this period. The primary term of five years will commence after this period, at which time the tenant will begin the process to secure approval to redevelop the property. Bonseph Helinet anticipates a two-year timeframe to secure all entitlements and complete the site redevelopment. However, the lease will terminate in year five if the redevelopment is not approved and the improvements are not completed. If the proposed improvements are completed within the first five years of the lease then Bonseph Helinet will have an option to extend the lease term for an additional 20 years, in which case the total lease term will be 25 years from the commencement of the primary term.

Bonseph Helinet will pay land and building rent until the point that the existing facilities are demolished, at which point Bonseph Helinet will make a one-time buyout of \$80,000 for the existing facilities. Thereafter, they will pay only land rent for the premises and the adjacent vacant parcel they plan to occupy temporarily to support operations during the construction of the new facilities. Once the new facilities have been completed, the lease term will be automatically extended for an additional 20 years, for a total of 25 years, and Bonseph Helinet will pay ground rent plus supplement rent of \$50,000 per year, with annual three percent increases.

The following is a summary of key terms in the lease:

| | Bonseph Helinet |
|-------------------------------|---|
| TERM: | |
| Term | 5 years, with an option to extend for an additional 20 years if Lessee completes proposed improvements |
| Effective Date | Upon execution by the Chief Executive Officer |
| Commencement Date | 105 days after the Effective Date or the completion of Lessee's due diligence inspection, whichever is sooner |
| DEMISED PREMISES: | |
| Land – General Aviation Use | 4.22 Acres (AC) |
| Existing Buildings | 17,253 Square Feet (SF) |
| RENT IN YEAR ONE: | \$265,957* |
| EST RENT THRU YEAR 5: | \$1,460,854** |
| EST RENT THRU YEAR 25: | \$8,698,709*** |

Note: * Bonseph Helinet will pay the Board-approved rate for General Aviation use, currently \$42,288.27/acre/year, plus approved building rates at \$4.25 and \$4.86/square feet/year.
** The total approximate rent received during the initial five-year term will consist of the rent in year one, one-time payment for buyout of LAWA facilities in year two, ongoing ground rent, temporary rent payments for vacant parcel, and the payment of supplement rent after the construction completion date through the lease term.
***25-year estimate does not include Fair Market Value rent reset that will be negotiated every five years

Redevelopment Process

The proposed lease does not provide authorization for construction of any of the proposed improvements. Before construction begins, Bonseph Helinet must comply with all relevant provisions of the California Environmental Quality Act (CEQA), the National Environmental Policy Act, and all other applicable laws. As part of this process, Bonseph Helinet must conduct public outreach, including the VNY Citizens Advisory Committee, as part of the CEQA process, and the public will have all rights to participate as prescribed in that process.

The proposed improvements also are subject to further Board approval at a later date, and the City of Los Angeles expressly reserves the right to exercise complete, unfettered discretion and to consider and adopt all mitigation measures for any proposed development, and all alternatives, including the "no project" alternative, for any proposed development.

If compliance with CEQA and all other applicable laws are satisfied, then Bonseph Helinet may proceed with securing all the necessary approvals and permits from the appropriate regulatory agencies, including approval from the Federal Aviation Administration due to building height restrictions for parcels located along the VNY airfield, before any construction activities can occur at the site.

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.* Staff requests the Board to approve a 25-year lease with Bonseph Helinet for the proposed facilities at VNY and authorize the execution of the proposed lease so as to enhance revenues and services at VNY while supporting the full range of non-FBO aviation activities.

5. Selection Process

In July 2021, LAWA released an RFP for the leasing and redevelopment of the site located at 16231 Waterman Drive. Proposers were asked to submit a proposal outlining the proposed redevelopment and the type of general aviation services to be conducted at the site. On August 31, 2021, LAWA issued an addendum to the RFP that extended the due date by 30 days from September 1 to September 30, 2021. Further, on September 24, 2021, LAWA issued another addendum that extended the due date an additional 21 days to October 21, 2021. This addendum also removed the requirement that proposers provide a plan to accommodate existing subtenants and removed any evaluation criteria associated with accommodating existing aviation business on the site.

Evaluation Process

On October 21, 2021, LAWA received a proposal from Bonseph Helinet. The proposal was reviewed by a three-member evaluation panel consisting of senior-level LAWA staff. The following evaluation criteria were published in the RFP and used to evaluate the proposal from Bonseph Helinet.

| CRITERIA | | POINTS |
|--------------|------------------------------|--------|
| 1. | Financial Proposal | 25 |
| 2. | Financial Capability | 20 |
| 3. | Experience | 15 |
| 4. | Conceptual Plan | 15 |
| 5. | Business and Operations Plan | 15 |
| 6. | Aviation/Community Benefits | 10 |
| TOTAL POINTS | | 100 |

On December 29, 2021, LAWA staff issued a notification letter to Bonseph Helinet of LAWA's intent to recommend Bonseph Helinet to the Board for the award of the lease at 16231 Waterman Drive.

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 this lease will generate approximately \$265,957 in revenue in the first year and approximately \$1,460,854 throughout the initial five-year period, excluding a periodic rate adjustment. If Bonseph Helinet completes the redevelopment within the required timeframe and secures the full 25-year term, LAWA anticipates collecting approximately \$8,698,709 over the full term, not including any periodic rate adjustments.

7. Alternatives Considered

- **Take No Action**

Taking no action is not recommended as it will delay redevelopment of the site and result in LAWA releasing another RFP to secure a new lease for the site. The proposal received as a result of the current RFP meets all of the criteria established in the RFP and provides LAWA with additional revenue as well as a renovated observation deck facility at no cost.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

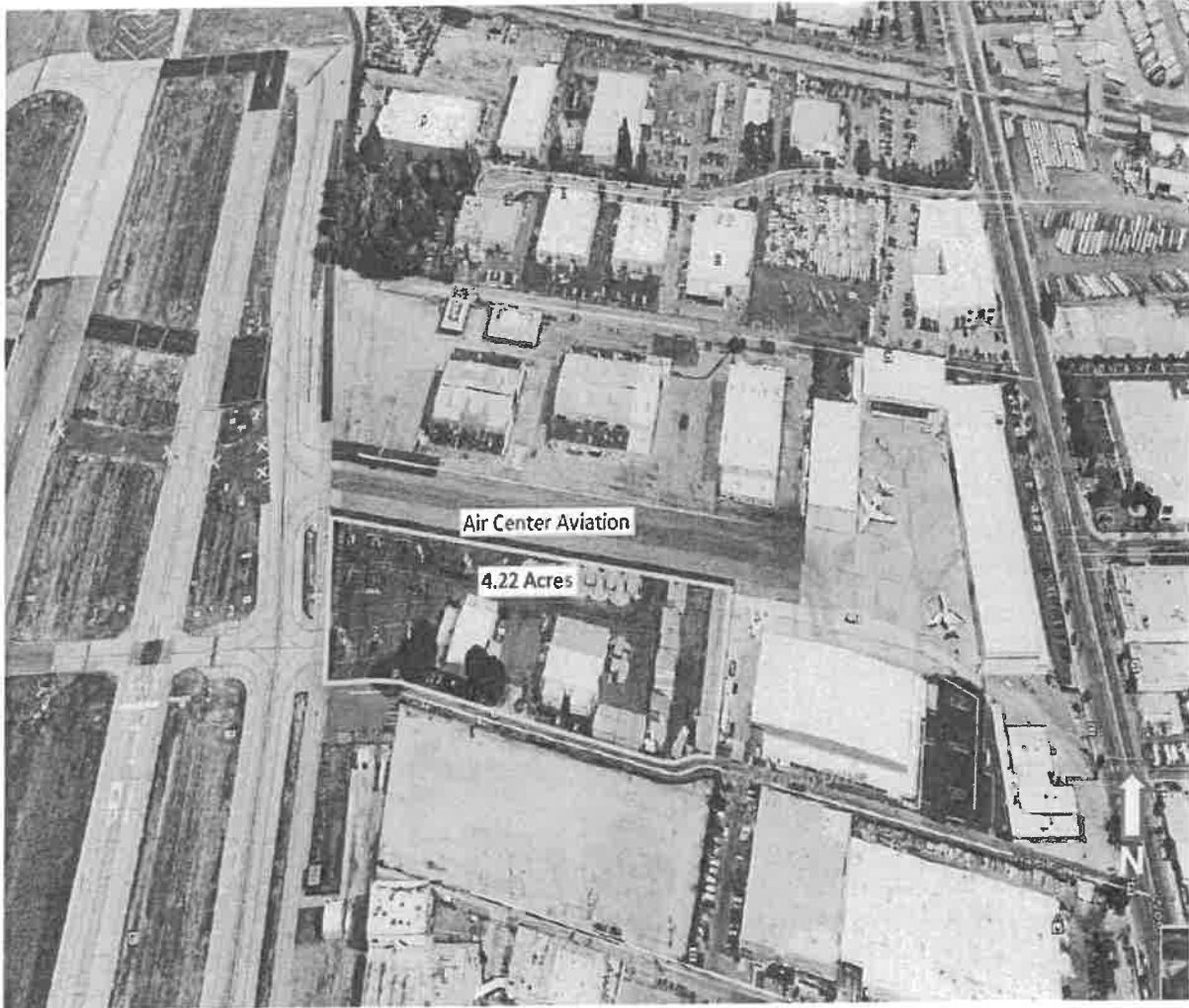
1. The issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, 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. Bonseph Helinet, LLC will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Small Business Enterprise, Local Business Enterprise/Local Small Business Enterprise, and Disabled Veterans Business Enterprise Programs do not apply to leases.
6. Bonseph Helinet, LLC will comply with the provisions of the Affirmative Action Program.
7. Bonseph Helinet, LLC has been assigned Business Tax Registration Certificate No. 0003268135-0001-1.
8. Bonseph Helinet, LLC will comply with the provisions of the Child Support Obligations Ordinance.
9. Bonseph Helinet, LLC must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the lease.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Bonseph Helinet, LLC has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Bonseph Helinet, LLC has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. Bonseph Helinet, LLC has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Bonseph Helinet, LLC has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This action is not subject to the provisions of the Iran Contracting Act.

Site Map – Van Nuys Airport



Location Map – 16231 Waterman Drive





December 15, 2022

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

Subject: Lease with Bonseph Helinet, LLC

Pursuant to Section 606 of the City Charter, enclosed for your approval is the Lease with Bonseph Helinet, LLC that was approved by the Board of Airport Commissioners at its December 1, 2022 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
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 Bonseph Helinet, LLC, for term of up to twenty-five (25) years, for potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport; and
3. Concur with said Board's action on December 1, 2022, by Resolution 27641, authorizing the Chief Executive Officer of Los Angeles World Airports to execute said Lease with Bonseph Helinet, LLC.

Very truly yours,

Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

GM/lfc

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Buscaino, e-file
Councilmember Bonin, e-file
Councilmember Lee, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27641

WHEREAS, on recommendation of Management, there was presented for approval, Award of Lease to Bonseph Helinet, LLC, for term of up to twenty-five (25) years, for potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport; and

WHEREAS, since 1972, the 16231 Waterman Drive property, which consists of 4.22 acres of land and 17,253 square feet of office and hangar space, has supported general aviation activities, including helicopter repair, flight school operations, and hangar and tie-down rentals; and

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

WHEREAS, Section 607(a) of the Los Angeles City Charter limits Los Angeles World Airports (LAWA) leases to a maximum of fifty (50) years. As the existing tenant has occupied the premises since 1972, the City Attorney advised that a competitive process would be required to provide a new lease for the site after 2022. Therefore, on September 6, 2018, the Board of Airport Commissioners (Board) approved an amendment to Lease VNA-8795 with Air Center Aviation Inc. to extend the term by eighteen (18) months in order to provide time for LAWA staff to conduct a competitive solicitation for the opportunity to lease the premises. Said lease expired on June 30, 2020, and the existing tenant is in holdover status; and

WHEREAS, in July 2021, LAWA released a Request for Proposals (RFP) for said property with the goal to redevelop the site with modern and sustainable facilities that support helicopter operations and other non-fixed base operators (FBO) aviation activities, enhance revenues to LAWA, and promote efficient and sustainable aircraft operations at Van Nuys Airport (VNY). Proposers were asked to submit a proposal outlining the proposed redevelopment and the type of general aviation services to be conducted at the site. On August 31, 2021, LAWA issued an addendum to the RFP that extended the due date by 30 days from September 1 to September 30, 2021. Further, on September 24, 2021, LAWA issued another addendum that extended the due date an additional 21 days to October 21, 2021. Said addendum also removed the requirement that proposers provide a plan to accommodate existing subtenants and removed any evaluation criteria associated with accommodating existing aviation business on the site; and

WHEREAS, in response to the RFP, LAWA received one proposal, which was from Bonseph Helinet, LLC (Bonseph Helinet). The following evaluation criteria were published in the RFP and used to evaluate the proposal from Bonseph Helinet:

| Criteria | | Points |
|--------------|------------------------------|----------|
| 1 | Financial Proposal | 25 |
| 2 | Financial Capability | 20 |
| 3 | Experience | 15 |
| 4 | Conceptual Plan | 15 |
| 5 | Business and Operations Plan | 15 |
| 6 | Aviation/Community Benefits | 10 |
| Total Points | | 100; and |



WHEREAS, the proposal was scored and deemed acceptable by the evaluation panel. Bonseph Helinet is a newly formed, privately held limited liability company comprised of Helinet Aviation Services LLC (Helinet), the Castagna 1998 Trust (Castagna Trust), and Bonseph Holdings Van Nuys Inc. (Bonseph). Helinet, a woman-owned business, currently operates a helicopter maintenance facility as a subtenant of the current leaseholder on the 16231 Waterman Drive property. Castagna Trust is the managing partner of Aeroplex Group Partners that provides operations, construction, and property management services. Bonseph brings experience and knowledge in real estate development and investment and will guarantee the capital investment required to complete the proposed development; and

WHEREAS, Bonseph Helinet presented a thorough plan for the proposed site that meets LAWA's goals to redevelop the site to support a full range of non-FBO aviation activities, including helicopter operations, promoting efficient and sustainable aircraft operations, and providing appropriate revenues to LAWA; and

WHEREAS, Bonseph Helinet proposes to invest \$19,500,000 to redevelop the premises to optimize efficient operations through modern and sustainable facilities to support the non-FBO aviation services and the continuation of helicopter operations. Bonseph Helinet proposes to construct two new 30,000 square feet, state-of-the-art hangars; 15,000 square feet of office terminal/shop space; 72,000 square feet of renovated ramp areas; and additional related improvements consisting of landscape, hardscape, sidewalk, and parking. The proposed redevelopment project will comply with CALGreen Tier One requirements, which will provide the framework for sustainable infrastructure, enhance indoor environmental quality, and optimize operational and maintenance practices; and

WHEREAS, Helinet currently employs approximately 85 people. Bonseph Helinet's proposed development project will support over 100 high-wage, local jobs (with an average annual income of \$87,000) through continuation of Helinet's operations at VNY. Helinet has committed to working with local technical aviation colleges to provide internships across its different business lines for students seeking careers in aviation, with the intent of hiring aviation mechanics and growing its pilot staff. In addition, the project will create additional space for aviation support businesses that provide further high-wage employment opportunities; and

WHEREAS, in addition, Bonseph Helinet proposes to renovate the VNY Observation Area as a community benefit, at a value estimated at \$350,000, at no cost to LAWA. Bonseph Helinet plans to renovate the existing 6,820-square foot Observation Area and realign the parking to allow access from Lindbergh Street. This adjustment will nearly triple the parking area from 4,070 square feet to 11,465 square feet; and

WHEREAS, Bonseph Helinet's proposal offered fair compensation to LAWA for demolition of the existing facilities, in addition to fair market rent for the premises, with an annual, fixed 3% increase. Bonseph Helinet also agreed to pay additional rent of \$50,000 per year from the construction completion date through the term of the Lease. Further, Bonseph temporarily will rent an adjacent vacant parcel to support operations during construction, which will provide approximately \$108,021 in additional rent during the construction phase; and

WHEREAS, the annual revenue to LAWA from ground and building rent is \$265,957 in the first year. In addition, LAWA will receive a one-time payment of \$80,000 for the buyout of the structures on the site; and

WHEREAS, approval of the Lease is the just a step in the potential redevelopment process. At this point, the Lease will provide Bonseph Helinet the property and contractual rights necessary to seek all required approvals of the proposed project. The Lease does not guarantee any redevelopment

and will terminate after five years if the proposed project does not receive all required regulatory clearance and approvals; and

WHEREAS, the Lease includes a pre-term that commences on the date it is signed and the property is delivered to Bonseph Helinet. This initial pre-term provides Bonseph Helinet a 105-day period to conduct an environmental review of the property. Bonseph will pay full rent during this period. The primary term of five years will commence after this period, at which time the tenant will begin the process to secure approval to redevelop the property. Bonseph Helinet anticipates a two-year timeframe to secure all entitlements and complete the site redevelopment. However, the Lease will terminate in year five if the redevelopment is not approved and the improvements are not completed. If the proposed improvements are completed within the first five years of the Lease then Bonseph Helinet will have an option to extend the lease term for an additional 20 years, in which case the total lease term will be 25 years from commencement of the primary term; and

WHEREAS, Bonseph Helinet will pay land and building rent until the point that the existing facilities are demolished, at which point it will make a one-time buyout of \$80,000 for the existing facilities. Thereafter, it will pay only land rent for the premises and the adjacent vacant parcel it plans to occupy temporarily to support operations during construction of the new facilities. Once the new facilities have been completed, the lease term will be automatically extended for an additional 20 years, for a total of 25 years, and Bonseph Helinet will pay ground rent plus supplement rent of \$50,000 per year, with annual 3% increases; and

WHEREAS, following is a summary of key terms in the Lease:

| | |
|-----------------------------|---|
| Term | five years, with an option to extend for an additional 20 years if Lessee completes the proposed improvements |
| Effective Date | upon execution by the Chief Executive Officer |
| Commencement Date | 105 days after the Effective Date or the completion of Lessee's due diligence inspection, whichever is sooner |
| Demised Premises | |
| Land – General Aviation Use | 4.22 acres |
| Existing Buildings | 17,253 square feet |
| Rent in Year 1 | \$ 265,957 ⁽¹⁾ |
| Estimated Rent thru Year 5 | \$1,460,854 ⁽²⁾ |
| Estimated Rent thru Year 25 | \$8,698,709 ⁽³⁾ ; and |

Notes:

- (1) Bonseph Helinet will pay the Board-approved rate for general aviation use, currently \$42,288.27/acre/year, plus approved building rates at \$4.25 and \$4.86/square foot/year.
- (2) The total approximate rent received during the initial five-year term will consist of the rent in Year 1, one-time payment for buyout of LAWA facilities in Year 2, ongoing ground rent, temporary rent payments for vacant parcel, and the payment of supplement rent after the construction completion date through the lease term.
- (3) 25-year estimate does not include fair market value rent reset that will be negotiated every five years.

WHEREAS, the Lease does not provide authorization for construction of any of the proposed improvements. Before construction begins, Bonseph Helinet must comply with all relevant provisions of the California Environmental Quality Act (CEQA), the National Environmental Policy

Act, and all other applicable laws. As part of this process, Bonseph Helinet must conduct public outreach, including the VNY Citizens Advisory Committee, as part of the CEQA process, and the public will have all rights to participate as prescribed in that process; and

WHEREAS, the proposed improvements also are subject to further Board approval at a later date, and the City of Los Angeles expressly reserves the right to exercise complete, unfettered discretion and to consider and adopt all mitigation measures for any proposed development, and all alternatives, including the "no project" alternative, for any proposed development; and

WHEREAS, if compliance with CEQA and all other applicable laws are satisfied, then Bonseph Helinet may proceed with securing all the necessary approvals and permits from the appropriate regulatory agencies, including approval from the Federal Aviation Administration due to building height restrictions for parcels located along the VNY airfield, before any construction activities can occur at the site; and

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 CEQA requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and

WHEREAS, Bonseph Helinet will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

WHEREAS, Bonseph Helinet will comply with the provisions of the Affirmative Action Program; and

WHEREAS, Bonseph Helinet has been assigned Business Tax Registration Certificate 0003268135-0001-1; and

WHEREAS, Bonseph Helinet will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Bonseph Helinet must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to execution of the Lease; and

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

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

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

WHEREAS, Bonseph Helinet 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; found that the Request for Proposals process used in this competitive award process satisfies the requirements

of Administrative Code Section 10.17 and is compatible with the City's interests; further found that Bonseph Helinet, LLC is responsive and responsible, that entering into this Lease is in the City's best interest, and that any informality in the proposal should be waived; approved Award of Lease to Bonseph Helinet, LLC, for term of up to twenty-five (25) years, for potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport; and authorized the Chief Executive Officer, or designee, to execute said Lease with Bonseph Helinet, LLC after approval as to form by the City Attorney and approval by the Los Angeles City Council.

o0o

I hereby certify that this Resolution No. 27641 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, December 1, 2022.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

Non-Fixed Base Operators (FBO) Aviation Activities

LAWA negotiated the proposed lease with Bonseph Helinet, LLC to include the following non-FBO aviation activities in the redevelopment efforts of the Waterman Drive property:

| Potential FBO Aviation Activities at the Van Nuys Airport | |
|---|---|
| Aircraft engine manufacturing and retrofitting | Wholesale industrial uses that primarily target airport users and other aviation related uses |
| Aircraft related accounting offices | Helicopter operations |
| Aircraft cooperative management | Hangar use and storage of jet planes |
| Aircraft classroom instruction | Aircraft tie down parking |
| Research and development | Aircraft ramp and maneuvering areas |
| Recycling aircraft parts | *Aircraft maintenance and fueling facilities |

**For the exclusive use of propeller aircraft of less than 12,500 pounds gross take-off weight.*