

 Report to the BOARD OF AIRPORT COMMISSIONERS		Item Number 4																								
<p>Approver:  Dave Jones, Deputy Executive Director Commercial Development</p> <p>Reviewer:  Brian C. Ostler, City Attorney</p> <p> <u>Justin Erbacci (Aug 31, 2023 14:37 PDT)</u> Justin Erbacci, Chief Executive Officer</p>	<p>Meeting Date 9/7/2023</p> <p>Needs Council Approval: <input checked="" type="checkbox"/> Y</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Reviewed for/by</th> <th>Date</th> <th>Approval Status</th> <th>By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>8/29/2023</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> NA</td> <td>JS</td> </tr> <tr> <td>CEQA</td> <td>8/28/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>MD</td> </tr> <tr> <td>Procurement</td> <td>8/24/2023</td> <td><input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond</td> <td>LK</td> </tr> <tr> <td>Guest Experience</td> <td>8/28/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>8/22/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>BNZ</td> </tr> </tbody> </table>		Reviewed for/by	Date	Approval Status	By	Finance	8/29/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS	CEQA	8/28/2023	<input checked="" type="checkbox"/> Y	MD	Procurement	8/24/2023	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	LK	Guest Experience	8/28/2023	<input checked="" type="checkbox"/> Y	TB	Strategic Planning	8/22/2023	<input checked="" type="checkbox"/> Y	BNZ
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SUBJECT

Request for approval of the proposed First Amendment to Lease VNA-8825 with Valley Sod Farms Inc. to reduce the premises by approximately 35 acres and extend the term by 60 months. The proposed First Amendment will generate \$36,487 in revenue to Los Angeles World Airports in the first year and approximately \$182,435 over the term of the extended lease.

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 First Amendment to Lease VNA-8825 with Valley Sod Farms Inc., as referenced in this report.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the lease amendment upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff request approval of the proposed First Amendment to Lease VNA-8825 with Valley Sod Farms Inc. (Valley Sod) to take back approximately 35 acres of land, of which Los Angeles World Airports (LAWA) intends to lease 34 acres to PCS Energy, LLC (PCS Energy) for the installation of a ground mount solar facility and return approximately one acre to LAWA for future use.

2. Prior Related Actions/History of Board Actions

- **June 16, 2014 – Resolution No. 25439 (Lease VNA-8825)**
The Board of Airport Commissioners (Board) approved a 10-year lease with Valley Sod Farms Inc. encompassing approximately 47 acres of non-aviation land at 16405 Chase Street at Van Nuys Airport (VNY) for sod farming or similar use.

3. Background

In August 2014, LAWA executed a 10-year lease (VNA-8825) with Valley Sod to lease approximately 47 acres of non-aviation land to operate a sod farm. As part of LAWA's Sustainability Action Plan, LAWA staff has been exploring sites that could support solar installations and determined that part of the Valley Sod property is an optimal location to install a ground mount solar facility due to its large size and the zoning restrictions that limit other potential uses.

To secure the property needed for the potential solar installation, LAWA staff negotiated the proposed First Amendment to reduce Valley Sod's demised premises by approximately 35 acres. Los Angeles World Airports also released a Request for Proposal on May 27, 2022, for development and operation of a ground mount solar facility at this site. Simultaneous with this request, LAWA staff is seeking Board approval of an award of a proposed lease to PCS Energy, LLC for the potential installation of the ground mount solar facility.

4. Current Action/Rationale

The proposed First Amendment will return approximately 35 acres of land to LAWA while Valley Sod will retain approximately 11.5 acres of agricultural land for continued use as a sod farm (See Attachment – Aerial Map of Premises). Los Angeles World Airports intends to use 34 acres for a proposed lease with PCS Energy, LLC to install a ground mount solar facility, leaving LAWA with approximately 1.5 acres for future uses. In exchange for reducing the size of their premises, Valley Sod's lease will be extended by 60 months. All other terms and conditions will remain unchanged.

The terms of the proposed First Amendment to Lease VNA-8825 with Valley Sod Farms Inc. are summarized in the table on the following page.

	CURRENT	PROPOSED
TERM		
	10 years	15 years
Effective Date:	August 20, 2014	No Change
Expiration Date:	August 19, 2024	August 18, 2029
PREMISES		
Land	Approximately 47 Acres	Approximately 11.5 Acres
ANNUAL RENT	\$156,233*	\$36,487*
REMAINING TERM RENT	(August 2023 thru August 2024) \$156,233*	(August 2023 thru August 2029) \$182,435*
Notes: *The rent does not include future rate adjustment required under the lease.		

Staff request that the Board approve the proposed First Amendment to Lease VNA-8825 with Valley Sod and authorize the Chief Executive Officer, or designee, to execute the lease, pending approval of the City Attorney as to form 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: Foster Equitable Economic Growth and Sustainability in Our Region: Build a healthy and sustainable future for our Airports and region. The returned 35 acres will be repurposed for the development of a 10 megawatt solar facility, which will support LAWA's sustainability goals and the City of Los Angeles' Green New Deal goal of achieving hundred percent renewal energy by 2045.

5. Fiscal Impact

Approval of the proposed First Amendment will reduce revenue by approximately \$119,746 in the first year, excluding any rental rate adjustments. However, staff believe the proposed new lease for the proposed solar facility on this site will generate substantially more revenue for LAWA.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended. Not amending this lease to reduce the premises will prevent LAWA from leasing the recaptured area to PCS Energy and thereby not receiving substantially more non-aeronautical revenue annually.

APPROPRIATIONS

No appropriations are 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. Valley Sod Farms is required by contract to comply with the provisions of the Living Wage Ordinance.
5. Business Enterprise (BE) Programs do not apply to leases.
6. Valley Sod Farms is required by contract to comply with the provisions of the Affirmative Action Program.
7. Valley Sod Farms has been assigned Business Tax Registration Certificate number 0000053708-0001-6.
8. Valley Sod Farms is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Valley Sod Farms must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to execution of the Lease Amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Valley Sod Farms has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Valley Sod Farms 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. Valley Sod Farms has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Valley Sod Farms 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.

Attachment

Exhibit 1: Valley Sod Farms Inc. – First Amendment

Attachment: Aerial Map of Premises



Location Map – 16405 Chase Street



FIRST AMENDMENT TO LEASE NO. VNA-8825 BETWEEN THE CITY OF LOS ANGELES AND VALLEY SOD FARMS, INC. AT VAN NUYS, CALIFORNIA AT VAN NUYS AIRPORT

This FIRST AMENDMENT TO LEASE NO. VNA-8825 ("First Amendment") is made and entered into this ____ day of ____ 2023 ("Effective Date"), by and between the CITY OF LOS ANGELES, a municipal corporation, acting by order of and through its Board of Airport Commissioners of the Department of Airports also known as Los Angeles World Airports or LAWA (hereinafter referred to as "City"), and VALLEY SOD FARMS, INC., a California corporation (hereinafter referred to as "Lessee").

RECITALS

WHEREAS, on August 19, 2014, City and Lessee entered into Lease No. VNA-8825 ("Lease") at Van Nuys Airport ("Airport"); and

WHEREAS, City and Lessee, by mutual agreement, desire to amend the Lease in order to reduce the Demised Premises and increase the term of the Lease, as set forth in this First Amendment;

NOW, THEREFORE, the parties hereto, for and in consideration of the terms, covenants and conditions herein contained, City and Lessee do hereby mutually agree that the Lease shall BE AMENDED AS FOLLOWS:

AMENDMENTS

Section 1. Article 1, Section 1.1 of the Lease is hereby deleted in its entirety and replaced with the following:

"Beginning on October 1, 2023, the Demised Premises shall consist of (i) Parcel 1 consisting of approximately 3.2129 acres of agricultural land located at 16405 Chase Street and (ii) Parcel 2 consisting of approximately 8.2515 acres of agricultural land at Van Nuys Airport (hereinafter referred to as "Airport") in Van Nuys, California, as shown and outlined on Exhibit A-2, and also identified on Exhibit B-1, both of which are attached hereto and incorporated by reference herein."

Section 2. Article 1, Section 2.1 of the Lease is hereby deleted in its entirety and replaced with the following:

"This Lease shall commence on August 19, 2014 ("Commencement Date"), and shall terminate on August 18, 2029, subject however to earlier termination by either party upon twelve (12) months' advance written notice, or as otherwise provided by the terms herein."

Section 3. Article 1, Section 4.1 of the Lease is hereby deleted in its entirety and replaced with the following:

“Beginning on October 1, 2023, the Monthly Rent shall be as set forth in Exhibit B-1, as adjusted pursuant to the terms of this Lease. Lessee acknowledges that the Chief Executive Officer is authorized to replace the Exhibit B-1, to reflect rental adjustments, fees and/or other charges established periodically by the Board that shall be generally applicable to similarly situated lessees at Airport and that Lessee accepts responsibility for payments based on such modifications. Lessee shall be responsible for payment of any and all amounts due to City by sublessees of this Lease, if any, unless the Chief Executive Officer specifically waives such responsibility.”

Section 4. The following provision shall be added to Article 1, Section 1 of the Lease:

“Lessee, by accepting this Lease, acknowledges that City has or intends to enter into a Ground Lease with PCS ENERGY, LLC, a California limited liability company for use of (i) Parcel 1 consisting of approximately 13.2731 acres of open space land located at 16521 Chase Street and (ii) Parcel 2 consisting of approximately 20.5247 acres of open space at Van Nuys Airport, to install, operate, and maintain a ground mount photovoltaic solar power system (“PV System”) and Lessee hereby agrees for itself and its successors and assigns that it will not make use of the Demised Premises in any manner which might interfere with the use and operation of the adjacent PV System, including but not limited to any use or act which could result in the accumulation of dust or other particles leaving the Demised Premises and entering upon the adjacent property containing the PV System. Lessee shall use all available methods to minimize the amount of dust and other particles exiting the Demised Premises and entering upon adjacent parcels. In the event that Lessee’s use interferes with the PV System described above, City reserves the right to enter upon the Demised Premises hereby leased and cause the abatement of such interference at the expense of Lessee.”

Section 5. Exhibit A-2 and Exhibit B-1 attached to this First Amendment shall be added to the Lease and incorporated by reference herein.

Section 6. Counterparts; Electronic Signatures. This First Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this First Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this First Amendment had been delivered that had been signed using a handwritten signature. All parties to this First Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this First Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other

electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this First Amendment based on the foregoing forms of signature. If this First Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 ("E-SIGN") and the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

Section 7. It is understood and agreed by and between the parties hereto that, except as specifically provided herein, this First Amendment shall not in any manner alter, change, modify or affect any of the rights, privileges, duties or obligations of either of the parties hereto under or by reason of the Lease, and except as expressly amended herein, all of the terms, covenants, and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, City has caused this First Amendment to be executed by the Chief Executive Officer and Lessee has caused the same to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, all as of the day and year first hereinabove written.

APPROVED AS TO FORM:
HYDEE FELDSTEIN SOTO,
City Attorney

CITY OF LOS ANGELES

Date: _____


By _____

By: _____
Deputy/Assistant City Attorney

Chief Executive Officer
Department of Airports

ATTEST:

VALLEY SOD FARMS, INC., a
California corporation

By  _____
Signature (Secretary)

Brad Baccus

Print Name

Brad Baccus

[SEAL]

May 17, 2023

By  _____
Signature

Danny Gibson

Print Name

President

Print Title

May 17, 2023

Exhibit A -2
First Amendment
VNA-8825
Valley Sod Farms Inc.



Exhibit B-1

First Amendment VNA-8825

Rental Payment

16405 Chase Street, North Hills CA 91343

RENT PAYMENT

Rental, fees and other charges effective on Commencement Date of the Lease*

Property Address

Monthly Rent

16405 Chase Street

Parcel 1:

(3.2129 AC @ \$3,182.62 per acre per year/ 12)

\$852.12

Parcel 2:

(8.2515 AC @ \$3,182.62 per acre per year/ 12)

\$2,188.45

Total: **\$3,040.57**

Faithful Performance Guarantee Amount: \$9,121.71

****Note: Rental, fees and other charges, as set forth in this Exhibit "B" are subject to adjustment pursuant to this Lease. Parcel 6 is intentionally omitted.***