

**REPORT FROM**

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: October 18, 2023

CAO File No. 0150-12486-0000

Council File No.

Council District: 6

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Los Angeles World Airports Board of Airport Commissioners (Board) dated September 7, 2023 and October 2, 2023; referred by the Mayor for a report on September 7, 2023

Subject: **RESOLUTION NO. 27796 AND PROPOSED 20-YEAR LEASE WITH PCS ENERGY, LLC FOR THE POTENTIAL REDEVELOPMENT OF LAND AND EXISTING FACILITIES AT THE 16521 CHASE STREET PROPERTY ON THE PREMISES OF VAN NUYS AIRPORT**

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**RECOMMENDATION**

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Resolution No. 27796 authorizing a proposed 20-year lease with PCS Energy, LLC to potentially convert approximately 34 acres of underutilized land on the premises of Van Nuys Airport at 16521 Chase Street, from a sod farm to a ground mount solar facility, which will allow LAWA the option to choose between two potential rent revenue structures: 1) annual land rent revenue of approximately \$107,556 in the initial year, yielding an estimated \$2,216,518 for the duration of the lease or 2) annual operating rent revenue of approximately \$1,095,000 during the first year, yielding an estimated \$21,900,000 over the total lease term, based on the greater of the monthly land rent or monthly operating rent, whichever structure is most favorable for LAWA;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the October 2, 2023 Board of Airport Commissioners (Board) Resolution 27796, that this action is exempt from the CEQA pursuant to State CEQA Guidelines sections 15303, 15304, and 15311; 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 October 2, 2023 Resolution 27796 authorizing a proposed ground lease agreement with PCS Energy, LLC (PCS Energy) for the potential development of a 10-Megawatt ground mount Photovoltaic Solar Power System (PV Solar System). The intended location for the solar facility encompasses approximately 34 acres of agricultural land located at 16521 Chase Street, situated on the premises of Van Nuys Airport (VNY). Under the proposed 20-year lease agreement, LAWA has the option to choose between two potential revenue structures that will generate non-aeronautical revenue. The first option involves collecting \$107,556 in land rent in the initial year, resulting in a cumulative estimated revenue of \$2,216,518 for the duration of the lease. Alternatively, the second option will generate \$1,095,000 in operating rent during the first year, generating approximately \$21,900,000 over the entirety of the lease term.

Approval of the proposed ground lease will enable PCS Energy to install, operate, and maintain a PV Solar System on the VNY property. The primary goal for the installation of the system is to generate sustainable electricity and help contribute towards mitigating the carbon footprint in the vicinity of the VNY and at LAWA-owned facilities. In accordance with the terms stipulated in the proposed lease, PCS Energy has committed to investing at least \$14,575,000 towards developing the PV Solar System. The Department indicates that monthly land rent payments or monthly operating rent payments by PCS Energy will take place either upon the commencement of the PV Solar System's operation or on December 31, 2025, whichever occurs first. The chosen payment option will be based on the greater of the first year's annual land rent of \$107,556 or the first year's operating rent of \$1,095,000, while also taking the facility's use into account.

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 September 7, 2023 and October 2, 2023, the Board approved a LAWA staff report and Resolution 27796 requesting authority to execute a proposed lease between LAWA and PCS Energy. The proposed agreement is for a 20-year term for the installation, operation, and maintenance of a PV Solar System at 16521 Chase Street, on the VNY campus. The use of a PV Solar System is a method designed to reduce greenhouse gas emissions by transforming solar energy into direct current electricity. The system employs solar panels composed of multiple solar cells that capture energy from the sun and transform it into usable solar power. This eco-friendly approach utilizes renewable energy to help mitigate environmental impacts typically associated with conventional energy resources. The PV Solar System has the capacity to generate up to 10 Megawatts of electrical power, which is intended to be sold to the City of Los Angeles Department of Water and Power (LADWP) for consumption.

*LAWA's Sustainability Action Plan (SAP)* – In 2019, LAWA initiated an action to improve air quality in and around the airports, and at LAWA-owned facilities by adopting the Department's SAP. LAWA's sustainability initiative focuses on improving air quality, energy management, water conservation, and landfill waste diversion efforts. The proposed PV Solar System conforms to the sustainability goals described in the SAP by aiming to establish clean and renewable energy sources, as well as striving to achieve carbon neutrality at all LAWA-owned facilities by the year 2045. To support LAWA's green initiative, the Department has been conducting site investigations on existing LAWA-owned properties to discover suitable locations to install solar infrastructure. The agricultural land under consideration for the proposed lease is currently operated by Valley Sod Farms, Inc. (Valley Sod Farms). The tenant performed a site assessment in favor of LAWA's SAP and it was determined that its leasehold contained a significant amount of excess or underutilized land. As a result, Valley Sod Farms negotiated a new lease with LAWA to surrender the surplus area, enabling LAWA to further its sustainability objectives.

*Competitive Selection Process* – In May 2022, LAWA staff issued a Request for Proposals (RFP) for the leasing and redevelopment of the proposed site, including the operation, maintenance, and ownership of a PV Solar System. LAWA established a four-member Evaluation Panel composed of the Department's senior-level staff to interview and independently assess the prospective firms based on the criteria presented in the RFP. In September 2022, nine firms submitted proposals. Upon reviewing and evaluating the proposals, the Evaluation Panel identified Distributed Solar Development, LLC as the highest-ranked proposer, however, the contractor declined to accept a list of non-negotiable terms.

*Selection of PCS Energy* – LAWA selected the first runner-up, PCS Energy, as the firm demonstrated its willingness to comply with LAWA's non-negotiable conditions. Despite PCS Energy not being the highest-ranked proposer, LAWA is satisfied with proceeding with PCS Energy as the solar firm to develop the proposed PV Solar System. This decision is based on the company's proven track record of successfully completing significant solar projects at multiple locations within VNY, specifically, at the leaseholds of Clay Lacy Aviation, Castle & Cooke Aviation, Western Jet Aviation, and Aeroplex Group Partners. These projects have resulted in the installation of rooftop solar systems, which collectively possess an electricity capacity of 6.5 Megawatts.

*Commencement of the Lease* – Upon receiving approval from the Council and subsequent execution by the LAWA Chief Executive Officer, the lease agreement shall become effective on the commercial operations date or December 25, 2025, whichever occurs first. This milestone date marks the fulfillment of all the necessary permit requirements, construction, and successful testing of the PV Solar System. At this stage, the PV Solar System is authorized and should be capable of delivering energy at its maximum capacity to the point of interconnection, signifying its readiness for commercial operation.

*Lease Terms* – The proposed lease conditions include a two-phased approach consisting of a pre-term period and a primary 20-year lease term. The prerequisites of the first phase must be fulfilled and within a fixed timeframe to achieve the full 20-year term.

*Pre-Term Period* – The proposed project is subject to numerous federal, state, and local environmental laws, rules, and regulations, therefore, the allotted timeframe before the PV Solar System becomes operational will provide PCS Energy with the necessary lead time to fulfill the various requirements set by the relevant authorities. It is important to note that the solar project is not subject to the California Environmental Quality Act (CEQA) guidelines, however, the property still requires review and approval processes from the following agencies: Federal Aviation Administration, National Environmental Policy Act, Los Angeles City Planning, and Los Angeles Department of Building and Safety. Due to the early pre-approval phase of the project, PCS is not yet able to secure a commitment from the LADWP to purchase the energy produced by the proposed PV Solar System. Nevertheless, prior to commencing construction, PCS is required to seek approval from the LADWP to ensure that the plans of the proposed PV Solar System have compatible integration with the LADWP's existing electrical infrastructure, as stipulated in an interconnection agreement between the two parties. In the event that the project is approved, PCS Energy and the LADWP will enter into a power purchase agreement. This agreement will serve as a contractual arrangement that delineates the terms and conditions governing the sale and transmission of the electricity generated by PCS Energy's solar facility to the LADWP's local power grid. If any of the pre-term conditions prove to be unobtainable, PCS Energy reserves the right to terminate the proposed lease before construction begins.

*Primary 20-year Lease Term Target Date* – If PCS Energy successfully meets all of the pre-term conditions, they are required to complete the installation of the ground mount PV Solar system no later than December 31, 2025. In the event that construction is not completed by the proposed target date, LAWA has the flexibility to either extend the completion date or terminate the proposed lease.

*Proposed Rent* – The terms and conditions of the proposed ground lease specify that PCS Energy will commence its rental obligation upon the commercial operation date of the PV Solar System. It should be noted that there will not be any rent paid to LAWA during the initial pre-term period where pre-development, permitting, and other clearance work is occurring. PCS Energy's payment terms for the leasehold are based on the greater of the monthly land rent or the monthly operating rent. Based on information provided by LAWA, the operating rent is expected to exceed the land rent by a substantial margin. This projection is based on the Feed-In-Tariff Program, which allows property owners and developers to sell the output of local, eligible renewable energy directly to LADWP for a term not exceeding 20 years. The mutually agreed-upon rate that PCS Energy will be able to garner from the LADWP for the production and distribution of renewable energy in the LA Basin is considerably higher than the market land rent rate for comparable facilities, and particularly the prior use. Furthermore, the conversion of the sod farm to use for renewable energy will help the LADWP meet its renewable energy and local solar goals. The table below summarizes the projected revenue that will be paid to LAWA in the form of monthly land rent or monthly operating rent, as stipulated in the proposed lease.

PCS Energy, LLC Proposed Lease Payments to LAWA at 16521 Chase Street – Van Nuys Airport		
	Monthly Land Rent	Monthly Operating Rent
Monthly Rent Amount	\$8,963	\$91,250
Annual Rent Amount (Monthly Rent x 12)	\$107,556	\$1,095,000
Total Rent through 20-year Term (Annual Rent x 20 years)	\$2,216,518	\$21,900,000
<b>*Land rent is subject to a two percent rent rate adjustment every five years pursuant to the lease.</b>		
<b>**Operating rent is based on a proposed 10-Megawatt solar facility at the rate of \$0.06/kilowatt-hour.</b>		

## CITY COMPLIANCE

*Small Business Enterprise (SBE), Local Business Enterprise (LBE), and Local Small Business Enterprise (LSBE) Participation* - The Department's Procurement Services Division staff reviewed this action (File No. 10147) and established a mandatory Business Enterprise goal of seven percent SBE goal for this project. As reported by LAWA staff, PCS Energy proposed a level of seven percent SBE participation.

*California Environmental Quality Act (CEQA)* – On September 7, 2023, the Board determined that the proposed lease with PCS Energy for the potential development of a ground mount solar facility on the VNY premises will not directly impact the environment and is exempt from CEQA pursuant to State CEQA Guidelines sections 15303, 15304, and 15311.

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 ground lease, consisting of a 20-year term with PCS Energy, LLC for the property located at 16521 Chase Street, situated on the premises of Van Nuys Airport will have no impact on the City's General Fund. The Department indicates that the proposed lease between Los Angeles World Airports and PCS Energy, LLC will provide approximately \$107,556 in annual land rent in the initial year, resulting in an estimated revenue amount of \$2,216,518 over the duration of the lease or at least \$1,095,000 in annual operating rent during the first year, resulting in an estimated revenue amount of \$21,900,000 over the total term of the lease, not including automatic rent rate adjustments that occur every five years. Rent revenue collected during the proposed lease term will be remitted to the Los Angeles World Airports Revenue Fund. The actions of the proposed lease comply with the Los Angeles World Airports' adopted Financial Policies.

September 08, 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

Karim Webb  
President

Matthew M. Johnson  
Vice President

Vanessa Aramayo  
Courtney La Bau  
Victor Narro  
Nicholas P. Roxborough  
Valeria C. Velasco

Justin Erbacci  
Chief Executive Officer

RE: Request for approval of the proposed 20-year lease with PCS Energy, LLC

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request for approval of the proposed 20-year lease with PCS Energy, LLC for the potential development of a ground mount solar facility at 16521 Chase Street at Van Nuys Airport that is anticipated to generate approximately \$21,900,000 in non-aeronautical revenue for Los Angeles World Airports over the term of the agreement.

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

Sincerely,



Justin Erbacci  
Chief Executive Officer

JPE:MSA:ksf  
Attachments





Item Number  
**5**

## Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

  
Samantha Bricker (Sep 1, 2023 15:05 PDT)

Dave Jones, Deputy Executive Director  
Commercial Development

Reviewer:



Brian C. Ostler, City Attorney



Justin Erbacci (Sep 1, 2023 16:00 PDT)

Justin Erbacci, Chief Executive Officer

### Meeting Date

9/7/2023

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	08/21/23	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	8/30/2023	<input checked="" type="checkbox"/> Y	MD
Procurement	8/24/2023	<input checked="" type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	SGL
Guest Experience	8/28/2023	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	8/22/2023	<input checked="" type="checkbox"/> Y	BNZ

### SUBJECT

Request for approval of the proposed 20-year lease with PCS Energy, LLC for the potential development of a ground mount solar facility at 16521 Chase Street at Van Nuys Airport that is anticipated to generate approximately \$21,900,000 in non-aeronautical revenue for Los Angeles World Airports over the term of the agreement.

### 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 State CEQA Guidelines sections 15303, 15304, and 15311.
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 PCS Energy, LLC is responsive and responsible, and that entering into this lease is in the City's best interest.
5. APPROVE the proposed lease with PCS Energy, LLC as referenced in this report.
6. AUTHORIZE the Chief Executive Officer, or designee, to execute the lease with PCS Energy, LLC 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 lease with PCS Energy, LLC (PCS Energy) to develop a ground mount solar facility at Van Nuys Airport (VNY) that is expected to generate approximately \$21,900,000 in non-aeronautical revenue to Los Angeles World Airports (LAWA) over the term of the lease.

### 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. to lease approximately 47 acres of non-aviation land at 16405 Chase Street at Van Nuys Airport (VNY) for sod farming or similar use.

### 3. Background

Since August 19, 2014, Valley Sod Farm, Inc. (Valley Sod) has leased approximately 47 acres of non-aviation land to operate a sod farm. As part of LAWA's Sustainability Action Plan, staff have encouraged the use of solar on its property and has reviewed sites that can support solar installations. The Valley Sod site was identified as an optimal location for a solar farm due to its size, zoning restrictions, and proximity to runways at VNY which limit other potential uses.

Therefore, on May 27, 2022, LAWA released a Request for Proposal (RFP) for the development and operation of a photovoltaic (PV) system to promote renewable energy and generate additional non-aeronautical revenue for LAWA on approximately 34 acres of the non-aviation land located at 16504 Chase Street at VNY (See Attachment – Aerial Map of Premises). To provide requisite property rights for installation of a solar ground mount system, LAWA staff also negotiated with Valley Sod to amend its lease to remove portions of its leasehold and is requesting that the Board approve the proposed First Amendment to the Valley Sod lease simultaneous with this request to award a new lease to PCS Energy.

### 4. Current Action/Rationale

In response to the RFP, LAWA received nine proposals, and PCS Energy ultimately was selected as the successful proposer by the evaluation panel, as described in Section 5 below. PCS Energy is a locally-based solar development company with 11 years of experience that has completed over 180 self-financed solar projects within the City of Los Angeles, including on several VNY leaseholds.

PCS Energy presented a thorough and comprehensive plan for the proposed site that meets LAWA's goals to develop and operate a ground mount PV system that will produce renewable energy for the City of Los Angeles and generate additional non-aeronautical revenue for LAWA. Based on PCS Energy's proposal, staff negotiated the proposed lease for development and operation of a PV system.

#### *Proposed Lease*

Pursuant to the proposed lease, PCS Energy will have the right to develop and operate a 10-megawatts solar facility on approximately 34 acres of non-aviation land for a lease term



of up to 20 years if: (a) all regulatory and environmental approvals necessary for the proposed development are received; (b) the Los Angeles Department of Water and Power (LADWP) provides a commitment to purchase the solar energy; and (c) PCS Energy installs the equipment and commences commercial operations before December 31, 2025, unless extended by LAWA's CEO.

If PCS Energy cannot secure all regulatory and environmental approvals necessary for the proposed development or does not receive an adequate energy purchase commitment from the LADWP, PCS Energy may terminate the proposed lease before construction starts. However, if the project is successfully developed, once the installed solar facility becomes commercially operational, PCS Energy will pay LAWA a monthly rent calculated as the greater of Land Rent (\$8,963 per month) or Operating Rent equal to \$0.06 per kilowatt-hour (kW-Hr) generated monthly.

#### *Proposed Development*

PCS Energy proposes to invest at least \$14,575,000 to develop, permit, engineer, finance, install, operate, and maintain a ground mount PV system that has the potential to generate approximately 10 megawatts of electricity.

PCS Energy has set a goal of 25% for SBE participation to complete the installation. Indian Energy, who is certified as a Minority Business Enterprise (100 percent Native American owned), a Small Business Enterprise (SBE), and a Disadvantaged Business Enterprise, will manage the engineering of the PV system. PCS Energy commits to subcontract with additional SBE companies to install components of the PV system. In addition, Morrow-Meadows, a local certified Women-owned Business Enterprise, will manage the project's engineering, procurement, and construction. PCS Energy estimates that 25% of the labor costs will be subcontracted to Morrow-Meadows.

#### *Term*

The proposed lease includes a pre-term that allows for property inspection and development of the solar infrastructure. During the pre-term, PCS Energy can terminate the proposed lease prior to installation if the proposed project does not receive all requisite approvals or if PCS Energy determines that LADWP will not commit to purchasing energy from the PV System. In addition, LAWA may terminate the proposed lease if the ground mount PV system is not installed by December 31, 2025. If the system is installed, then the 20-year lease term and rent payments will commence on the earlier of operation of the PV system or December 31, 2025.

#### *Revenue to LAWA*

Commencing on the Commercial Operation Date, unless extended by LAWA's CEO, PCS Energy will pay the greater of Land Rent or Operating Rent.

Land Rent will be an annual amount of approximately \$107,566 and subject to a two percent increase every five years. However, it is expected that the Operating Rent will greatly exceed the Land Rent. The Operating Rent will be calculated at \$0.06 per kW-Hr for the proposed production of 10 megawatts of renewable energy, for an estimated annual revenue of \$1,095,000, and \$21,900,000 over the 20-year lease term. In addition, if the proposed solar project qualifies for the Investment Tax Credit (ITC), PCS Energy has agreed to pay LAWA an additional \$0.004/kW-Hr for each 10 percent increase greater than 40

percent. For example, should PCS Energy qualify for a 50 percent ITC, PCS Energy will pay \$0.064 per kW-Hr.

A summary of the proposed lease terms is reflected in the table below:

Lease Summary	
<b>TERM</b>	
Effective Date:	Upon approval of Board/City Council/Full Execution
Commercial Operation/Rent: Commencement:	Upon operation of the PV system, but no later than December 31, 2025
Term:	20 years from the Commercial Operation Date
<b>EARLY TERMINATION</b>	
Tenant Termination Right:	PCS Energy can terminate if approvals are not secured, the site is not delivered, or LADWP will not commit to purchasing energy from the PV System
LAWA Termination Right:	LAWA may terminate if PCS does not achieve Commercial Operation by December 31, 2025
<b>DEMISED PREMISES</b>	
Land – Open Space Use:	Approximately 34 Acres
<b>RENT STRUCTURE</b>	
	PCS Energy will pay the greater of:
	1) Land Rent of \$8,963 per month and
	2) Operating Rent calculated at \$0.06 kW-Hr
<b>ESTIMATED RENT</b>	
Annual:	Land Rent – \$107,556* / Operating Rent – \$1,095,000**
Total:	Land Rent – \$2,216,427* / Operating Rent – \$21,900,000**
Notes:	
*Land Rent: Rent is set to increase by 2% every five years.	
**Operating Rent: Estimated rent based on a proposed 10 MW solar facility at \$0.06 per kilowatt-hour.	

### *Environmental Process*

The proposed project is exempt under California Environmental Quality Act (CEQA) Guidelines 15303 – Class 3 New Construction or Conversion of Small Structures, which includes construction and location of limited numbers of new, small facilities and structures, including accessory structures. The proposed project is also exempt under CEQA Guidelines 15304 – Class 4 Minor Alteration to Land, which includes minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees. The proposed project is also exempt under CEQA Guidelines 15311 – Class 11 Accessory Structures, which includes construction or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities.

The CEQA Guidelines Section 15300.2 includes a number of exceptions to categorical exemptions, none of which apply to the proposed project. Specifically, the project site does not include any environmental resources of hazardous or critical concern. There are no plans for other projects of the same type in the same place and, therefore, no cumulative impacts. There are no unusual circumstances distinguishing this project from others typically exempt under the Class 3, 4 and 11 exemptions and no reasonable possibility that the activity will have a significant effect on the environment due to any unusual circumstances. The proposed project will not result in damage to scenic resources within a highway officially designated as a state scenic highway. The project is not located on a site that is included on any list compiled pursuant to Section 65962.5 of the Government Code. Finally, the proposed project will not cause a substantial adverse change in the significance of any historical resource.

PCS Energy will be responsible for securing all necessary approvals and permits from the appropriate regulatory agencies, which may include Federal Aviation Administration (FAA) approval of the PV System, subject to compliance with the National Environmental Policy Act, if applicable, a conditional use permit and/or any other required planning approval, building permit(s), and all required plan check-level permitting from City Planning, and FAA approval of a glare study associated with a solar project to ensure no interference with the landing and departing of overhead flights at VNY.

***How This Action Advances a Specific Strategic Plan Goal and Objective***

This action advances this strategic goal and objective: *Sustain a Strong Business: Operate sustainability – balancing economic, social and environmental responsibilities.* Staff is requesting approval of a 20-year lease for a proposed ground mount PV system at VNY which will help LAWA achieve its goal of reducing its carbon footprint through the production of renewable energy as outlined in its Sustainability Action Plan.

**5. Selection Process**

In May 2022, an RFP was released by LAWA for the leasing and redevelopment of a site located at Van Nuys Airport. The RFP required submittal of proposals to develop, own, operate, and maintain a ground mount solar facility at the provided location.

*Evaluation Process*

On September 22, 2022, LAWA received nine proposals, specifically from Ameresco, Current Energy, PCS Energy, EDPRNADG, Green Quest, Luminace, Pacifico Power Holt, DSD, and Total Energy in response to the RFP.

The proposals were reviewed by a four-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 PCS Energy.

CRITERIA		POINTS
1.	Firm's Qualifications, Experience and References	25
2.	Proposed PV System Approach	20
3.	Inclusivity	10
4.	Financial Proposal	45
TOTAL POINTS		100

On December 21, 2022, LAWA staff sent a notification to all responding companies that the evaluation panel had established a short list.

Among the short-listed participants, DSD obtained the highest score. However, DSD rejected a list of non-negotiable terms. Consequently, LAWA approached PCS Energy, the runner-up with the second-highest score, and PCS Energy accepted the same non-negotiable lease terms. The evaluation panel deemed the runner-up's proposal acceptable.

As a result of the competitive selection process, staff request 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 the Los Angeles City Council.

## **6. Fiscal Impact**

Approval of this lease is estimated to generate approximately \$1,095,000 in annual revenue in the first year following the Commercial Operations Date, and \$21,900,000 throughout the 20-year period, based on 10 megawatts of energy produced.

## **7. Alternatives Considered**

- ***Take No Action***

Taking no action is not recommended, as it will result in no solar facility development and a loss of potentially greater revenue to LAWA. Therefore, it is advisable to act and approve the lease with PCS Energy to ensure the timely solar development and the maximum revenue potential for the LAWA property.

## **APPROPRIATIONS**

No appropriation of funds is required for this action.

## **STANDARD PROVISIONS**

1. Construction and location of limited numbers of new, small facilities and structures, including accessory structures, is exempt under CEQA Guidelines 15303. Minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees is exempt under CEQA Guidelines 15304. Construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities is exempt under CEQA Guidelines 15311.
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. PCS Energy, LLC will comply with the provisions of the Living Wage Ordinance.
5. Procurement Services reviewed this action (File No. 10174) and established a mandatory 7% Small Business Enterprise goal for this project. PCS Energy, LLC committed to 7% SBE goal.
6. PCS Energy, LLC will comply with the provisions of the Affirmative Action Program.

7. PCS Energy, LLC has been assigned Business Tax Registration Certificate No. 0002779094-001-7.
8. PCS Energy, LLC will comply with the provisions of the Child Support Obligations Ordinance.
9. PCS Energy, LLC must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to the issuance of a Notice to Proceed.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. PCS Energy, LLC has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. PCS Energy, 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. PCS Energy, LLC has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. PCS Energy, LLC has submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with its provisions.
16. PCS Energy, LLC will comply with the provisions of the Iran Contracting Act.

October 2, 2023

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

**Subject:** Twenty (20)-year Lease with PCS Energy, LLC

Pursuant to Section 606 of the City Charter, enclosed for your approval is a twenty (20)-year Lease with PCS Energy, LLC, that was approved by the Board of Airport Commissioners at its September 7, 2023 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass  
Mayor

Board of Airport  
Commissioners

Karim Webb  
President

Matthew M. Johnson  
Vice President

Vanessa Aramayo  
Courtney La Bau  
Victor Narro  
Nicholas P. Roxborough  
Valeria C. Velasco

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 State CEQA Guidelines Sections 15303, 15304 and 15311; and
2. Approve a twenty (20)-year Lease with PCS Energy, LLC, covering potential development of a ground mount solar facility at 16521 Chase Street within Van Nuys Airport; and
3. Concur with said Board's action on September 7, 2023, by Resolution 27796, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Lease with PCS Energy, LLC.

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 McOsler, 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. 27796

WHEREAS, on recommendation of Management, there was presented for approval, twenty (20)-year Lease with PCS Energy LLC covering potential development of a ground mount solar facility at 16521 Chase Street within Van Nuys Airport; and

WHEREAS, since August 2014, Valley Sod Farms, Inc. (Valley Sod) has leased approximately 47 acres of non-aviation land to operate a sod farm. As part of the Los Angeles World Airports (LAWA) Sustainability Action Plan, staff have encouraged use of solar on LAWA property and has reviewed sites that can support solar installations. The Valley Sod site was identified as an optimal location for a solar farm due to its size, zoning restrictions, and proximity to runways at Van Nuys Airport (VNY) that limit other potential uses; and

WHEREAS, therefore, in May 2022, LAWA released a Request for Proposals (RFP) for the development and operation of a photovoltaic (PV) system to promote renewable energy and generate additional non-aeronautical revenue for LAWA on approximately 34 acres of the non-aviation land located at 16504 Chase Street within VNY. To provide requisite property rights for installation of a solar ground mount system, LAWA staff also negotiated with Valley Sod to amend its lease to remove portions of its leasehold; and

WHEREAS, in September 2022, LAWA received nine (9) proposals, specifically from Ameresco; Current Energy; PCS Energy, LLC (PCS); EDPRNADG; Green Quest; Luminace; Pacifico Power Holt; DSD; and Total Energy in response to the RFP. The following evaluation criteria were published in the RFP and used to evaluate the proposals:

Criteria		Points
1.	Firm's Qualifications, Experience and References	25
2.	Proposed PV System Approach	20
3.	Inclusivity	10
4.	Financial Proposal	45
Total Points		100; and

WHEREAS, on December 21, 2022, LAWA sent a notification to all responding companies that the evaluation panel had established a short list. Among the short-listed participants, DSD obtained the highest score. However, DSD rejected a list of non-negotiable terms. Consequently, LAWA approached PCS, the runner-up with the second-highest score. PCS accepted the same non-negotiable lease terms; and

WHEREAS, PCS is a locally-based solar development company with 11 years of experience that has completed over 180 self-financed solar projects within the City of Los Angeles (City), including on several VNY leaseholds. PCS presented a thorough and comprehensive plan for the proposed site that meets LAWA's goals to develop and operate a ground mount PV system that will produce renewable energy for the City and generate additional non-aeronautical revenue for LAWA. The evaluation panel deemed PCS's proposal acceptable. Based on PCS's proposal, LAWA staff negotiated the Lease for development and operation of a PV system; and



WHEREAS, pursuant to the Lease, PCS will have the right to develop and operate a 10-megawatts solar facility on approximately 34 acres of non-aviation land for a lease term of up to twenty (20) years if: (a) all regulatory and environmental approvals necessary for the proposed development are received; (b) the Los Angeles Department of Water and Power (LADWP) provides a commitment to purchase the solar energy; and (c) PCS installs the equipment and commences commercial operations before December 31, 2025, unless extended by the LAWA Chief Executive Officer (CEO); and

WHEREAS, if PCS cannot secure all regulatory and environmental approvals necessary for the proposed development or does not receive an adequate energy purchase commitment from the LADWP, PCS may terminate the Lease before construction starts. However, if the project is successfully developed, once the installed solar facility becomes commercially operational, PCS will pay LAWA a monthly rent calculated as the greater of Land Rent (\$8,963 per month) or Operating Rent equal to \$0.06 per kilowatt-hour (kW-Hr) generated monthly; and

WHEREAS, PCS proposes to invest at least \$14,575,000 to develop, permit, engineer, finance, install, operate, and maintain a ground mount PV system that has the potential to generate approximately 10 megawatts of electricity; and

WHEREAS, PCS has set a goal of 25% for Small Business Enterprise (SBE) participation to complete the installation. Indian Energy, which is certified as a Minority Business Enterprise (100% Native American-owned), an SBE, and a Disadvantaged Business Enterprise, will manage the engineering of the PV system. PCS commits to subcontract with additional SBE companies to install components of the PV system. In addition, Morrow-Meadows, a local certified Women-owned Business Enterprise, will manage the project's engineering, procurement, and construction. PCS estimates that 25% of the labor costs will be subcontracted to Morrow-Meadows; and

WHEREAS, the Lease includes a pre-term that allows for property inspection and development of the solar infrastructure. During the pre-term, PCS can terminate the Lease prior to installation if the proposed project does not receive all requisite approvals or if PCS determines that LADWP will not commit to purchasing energy from the PV system. In addition, LAWA may terminate the Lease if the ground mount PV system is not installed by December 31, 2025. If the system is installed, then the 20-year lease term and rent payments will commence on the earlier of operation of the PV system or December 31, 2025; and

WHEREAS, commencing on the Commercial Operation Date, unless extended by the LAWA CEO, PCS will pay the greater of Land Rent or Operating Rent. Land Rent will be an annual amount of approximately \$107,566 and subject to a 2% increase every 5 years. However, it is expected that the Operating Rent will greatly exceed the Land Rent. The Operating Rent will be calculated at \$0.06 per kW-Hr for the proposed production of 10 megawatts of renewable energy, for an estimated annual revenue of \$1,095,000, and \$21,900,000 over the 20-year lease term. In addition, if the proposed solar project qualifies for the Investment Tax Credit (ITC), PCS has agreed to pay LAWA an additional \$0.004/kW-Hr for each 10% increase greater than 40%. For example, should PCS qualify for a 50% ITC, PCS will pay \$0.064 per kW-Hr; and

WHEREAS, following is a summary of the lease terms:

Effective Date:	upon approval by the Board of Airport Commissioners / City Council / full execution
Commercial Operation / Rent Commencement:	upon operation of PV system, but no later than December 31, 2025
Term:	20 years from the Commercial Operation Date



(table continued)

Early Termination:	
Tenant Termination Right	PCS can terminate if approvals are not secured, the site is not delivered, or LADWP will not commit to purchasing energy from the PV system
LAWA Termination Right	LAWA may terminate if PCS does not achieve Commercial Operation by December 31, 2025
Demised Premises:	
Land – Open Space Use	approximately 34 acres
Rent Structure:	PCS will pay the greater of: 1) Land Rent of \$8,963 per month and 2) Operating Rent calculated at \$0.06 kW-Hr
Estimated Rent:	
Annual	Land Rent – \$107,556* / Operating Rent – \$1,095,000**
Total	Land Rent – \$2,216,427* / Operating Rent – \$21,900,000**; and

\* Land Rent: Rent is set to increase by 2% every 5 years.

\*\* Operating Rent: Estimated rent based on proposed 10 megawatts solar facility at \$0.06 per kW-Hr.

WHEREAS, PCS will be responsible for securing all necessary approvals and permits from the appropriate regulatory agencies, which may include Federal Aviation Administration (FAA) approval of the PV system, subject to compliance with the National Environmental Policy Act, if applicable, a conditional use permit and/or any other required planning approval, building permit(s), and all required plan check-level permitting from City Planning, and FAA approval of a glare study associated with a solar project to ensure no interference with the landing and departing of overhead flights at VNY; and

WHEREAS, construction and location of limited numbers of new, small facilities and structures, including accessory structures, is exempt under CEQA Guidelines 15303. Minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees is exempt under CEQA Guidelines 15304. Construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities is exempt under CEQA Guidelines 15311; and

WHEREAS, CEQA Guidelines Section 15300.2 includes a number of exceptions to categorical exemptions, none of which apply to the proposed project. Specifically, the project site does not include any environmental resources of hazardous or critical concern. There are no plans for other projects of the same type in the same place and, therefore, no cumulative impacts. There are no unusual circumstances distinguishing the project from others typically exempt under the Class 3, 4 and 11 exemptions and no reasonable possibility that the activity will have a significant effect on the environment due to any unusual circumstances. The proposed project will not result in damage to scenic resources within a highway officially designated as a state scenic highway. The project is not located on a site that is included on any list compiled pursuant to Section 65962.5 of the Government Code. Finally, the proposed project will not cause a substantial adverse change in the significance of any historical resource; and

WHEREAS, PCS will comply with the provisions of the Living Wage Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, and Iran Contracting Act; and

WHEREAS, Procurement Services reviewed this action (File 10174) and established a mandatory 7% SBE goal for the project. PCS committed to 7% SBE goal; and

WHEREAS, PCS is assigned Business Tax Registration Certificate 0002779094-001-7; and

WHEREAS, PCS must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to issuance of a Notice to Proceed; and

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

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

WHEREAS, PCS has submitted the Bidder Contributions CEC Form 55 and the Municipal Lobbying Ordinance CEC Form 50, and will comply with their 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 State CEQA Guidelines Sections 15303, 15304, and 15311; found that the Request for Proposals process used in the competitive award process satisfies the requirements of Administrative Code Section 10.17 and is compatible with the City's interests; further found that PCS Energy, LLC is responsive and responsible, and that entering into the Lease is in the City's best interest; approved the twenty (20)-year Lease with PCS Energy, LLC covering potential development of a ground mount solar facility at 16521 Chase Street within Van Nuys Airport; and authorized the Chief Executive Officer, or designee, to execute said Lease with PCS Energy, LLC after approval as to form by the City Attorney and approval by the Los Angeles City Council.

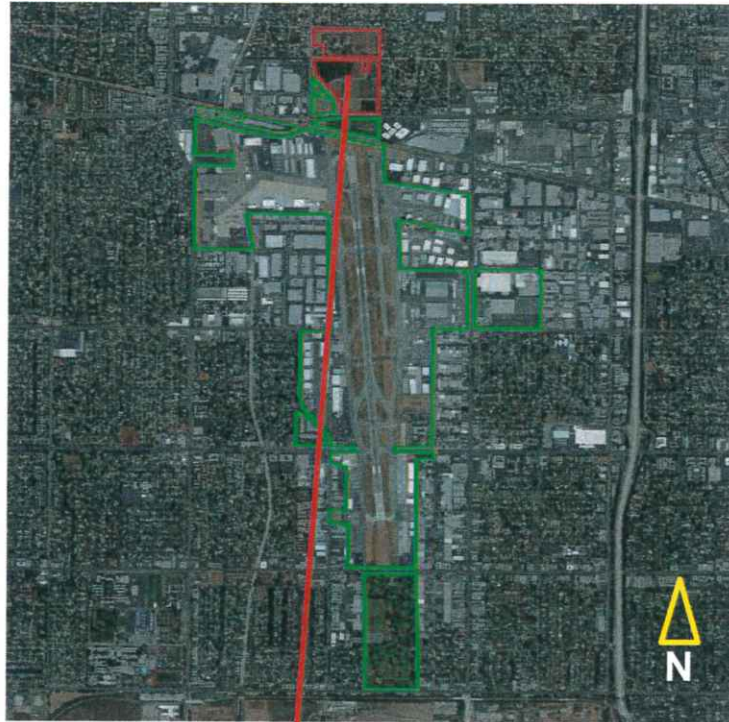
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I hereby certify that this Resolution No. 27796 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, September 7, 2023.



Grace Miguel – Secretary  
BOARD OF AIRPORT COMMISSIONERS

## Attachment: Aerial Map of Premises



Location Map – 16521 Chase Street VNY

