

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

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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