

**BOARD OF AIRPORT COMMISSIONERS**

<p><u>MO:</u></p> <p>Approved by: Ramon Olivares, Director, Property Services</p> <p><i>[Signature]</i></p> <p>Reviewed by: Jeffrey Utterback, Deputy Executive Director, Commercial Development Group</p> <p><i>R.S. Ilganas</i></p> <p><i>[Signature]</i> City Attorney</p> <p>Justin Erbacci, Chief Executive Officer</p>		<p><u>Meeting Date:</u></p> <p>1/7/2021</p>	
<p><u>CAO Review:</u></p>		<input type="checkbox"/> Completed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> N/A	
<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	12/22/2020	<input checked="" type="checkbox"/> Y <input checked="" type="checkbox"/> N <input type="checkbox"/> NA	CI
CEQA	12/18/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	12/22/2020	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N <input checked="" type="checkbox"/> Cond	QM
Guest Experience	12/23/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	12/23/2020	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA	KC

**SUBJECT: Approval of First Amendment to Lease with Federal Express Corporation at Los Angeles International Airport**

Approve the First Amendment to Lease LAA-8565 with Federal Express Corporation at 7401 World Way West at Los Angeles International Airport, to increase the term for an additional 38 months, reduce the land square footage, and adjust rental rates, resulting in a minimum of \$6,518,623 in annual revenue and \$20,642,306 over the 38-month term extension.

**RECOMMENDATIONS:**

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is categorically 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 First Amendment to Lease LAA-8565 with Federal Express Corporation.
4. AUTHORIZE the Chief Executive Officer to execute the First Amendment to Lease, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

## **DISCUSSION:**

### **1. Purpose**

To allow Federal Express Corporation (FedEx) to continue aircraft maintenance operations at Los Angeles International Airport (LAX).

### **2. Prior Related Actions**

- March 7, 2011 – Resolution No. 24402  
The Board of Airport Commissioners (Board) approved a 10-year Lease LAA-8565 with FedEx for its aircraft maintenance facility at LAX.

### **3. Current Action**

On March 7, 2011, the Board approved Lease LAA-8565 (Lease) with FedEx, which became effective on April 14, 2011, for a 10-year term, expiring in 2021. The property is located at 7401 World Way West at LAX (see attached site map) and is comprised of 982,796 square feet (SF) of land and 193,570 SF of various building types, including hangar, offices, and shops. FedEx uses the property for its aircraft maintenance operations, and has occupied the facility since 1989. FedEx currently employs approximately 500 staff at the facility, including approximately 317 Aircraft Maintenance Technicians (AMT). In addition, FedEx employs 110 AMTs who are mobile between the maintenance facility and its LAX cargo facility on Imperial Highway.

FedEx has requested a Lease term extension to continue its aircraft maintenance operations at LAX. Following extensive negotiations with FedEx, staff proposes a Lease extension of 38 months, until June 30, 2024, with two one-year mutual options. In exchange for the Lease extension, FedEx agrees to: (a) new land and building rates, resulting in an annual increase in LAWA revenue of \$702,197; (b) relinquish one 80,700 SF parcel of land (Parcel A1 on attached Location MAP 2) upon the effective date of the proposed First Amendment; and (c) relinquish two additional parcels (Parcels B1 and C1) at LAWA's future discretion if needed by LAWA to accommodate the proposed Taxiway D Extension Project, currently in the environmental review process. Once deleted from the premises, the 80,700 SF parcel (Parcel A1) would be used by LAWA for critical aircraft parking demands, including the potential lease to airlines in need of such parking. Any costs associated with the deletion of the three parcels would be the responsibility of FedEx.

In summary, the proposed First Amendment will: (1) increase LAWA revenue; (2) create additional aircraft parking; and (3) allow FedEx to continue its aircraft maintenance operations.

The table below provides a summary of key elements of the proposed First Amendment.

<b>FIRST AMENDMENT</b> <i>Proposed Terms</i>		
<b>Category</b>	<b>Lease (Current)</b>	<b>First Amendment (Proposed)</b>
Effective Date	4/14/2011	Effective upon execution of First Amendment
Expiration Date	4/13/2021	6/30/2024
Options	None	Two one-year mutual options
Property Description	<b>Building:</b> Aircraft Hangar.....77,552 SF Office/Shop.....83,448 SF Outparcel Building.....6,920 SF Training Building.....15,650 SF  <b>Land:</b> Maintenance.....982,796 SF Aircraft Parking Paving.....465,000 SF Auto Parking Paving.....358,201 SF	<b>Building:</b> Aircraft Hangar.....77,552 SF Office/Shop.....83,448 SF Outparcel Building.....6,920 SF Training Building.....15,650 SF  <b>Land:</b> Maintenance.....902,096 SF Aircraft Parking Paving...384,300 SF Auto Parking Paving.....358,201 SF
Rental Rates	<b>Building:</b> Aircraft Hangar.....\$15.87 Office/Shop.....\$10.99 Outparcel Building.....\$8.55 Training Building.....\$8.55  <b>Land:</b> Maintenance.....\$2.90 Aircraft Parking.....\$0.83 Auto Parking.....\$0.42	<b>Building:</b> Aircraft Hangar.....\$16.10 Office/Shop.....\$15.00 Outparcel Building.....\$15.00 Training Building.....\$15.00  <b>Land:</b> Maintenance.....\$3.38 Aircraft Parking.....\$0.85 Auto Parking.....\$0.4
Rent	Monthly.....\$484,703 Annual.....\$5,816,426	Monthly.....\$543,219 Annual.....\$6,518,623
Annual Adjustments	Based upon CPI	3% Increase
Parcel A1	Not applicable	FedEx will relinquish 80,700 SF of land upon execution. LAWA will use it for aircraft parking.
Parcel B1	Not applicable	LAWA may reduce the premises by 52,300 SF of land upon 180-days' written notice.
Parcel C1	Not applicable	FedEx would relinquish 85,000 SF of land upon LAWA's reduction of Parcel B1 from the premises.

### ***Action Requested***

Staff requests the Board approve the proposed First Amendment to Lease with FedEx and authorize the Chief Executive Officer to execute the First Amendment after approval as to form by the City Attorney and approval by the Los Angeles City Council.

### ***Fiscal Impact***

Approval of this item will result in an annual increase in LAWA revenue of \$702,197, and a minimum of \$20,642,306 in total revenue, exclusive of periodic adjustments, over the additional 38-month term.

### **4. Alternatives Considered**

- ***Deny Request to Approve the First Amendment***

Not approving the First Amendment will result in lost revenue to LAWA and a loss of immediate use of aircraft parking by LAWA. Furthermore, it could adversely impact FedEx's maintenance operations beyond the current Lease expiration of April 13, 2021.

### **APPROPRIATIONS:**

Approval of this action will not require an appropriation of funds.

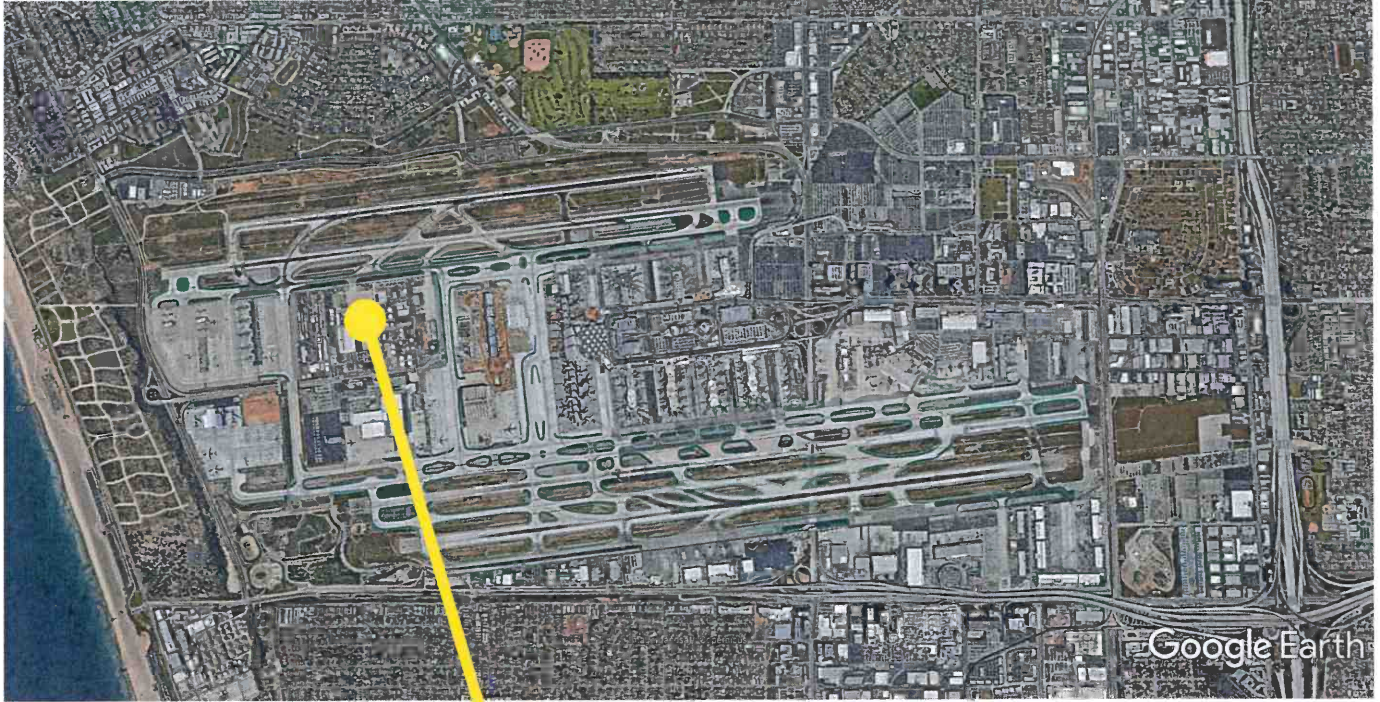
### **STANDARD PROVISIONS:**

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 categorically exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This 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. Federal Express Corporation will comply with the provisions of the Living Wage/Worker Retention Ordinances.
5. The Business Enterprise Programs does not apply to Leases.
6. Federal Express Corporation will comply with the provisions of the Affirmative Action Program
7. Federal Express Corporation has been assigned Business Tax Registration Certificate No. 0002649675-0001-9.

8. Federal Express Corporation will comply with the provisions of the Child Support Obligations Ordinance.
9. Federal Express Corporation has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Federal Express Corporation submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions.
12. Federal Express Corporation must be determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Amendment.
13. Federal Express Corporation will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Federal Express Corporation submitted the Bidder Contributions CEC Form 55 and will comply with the provisions.
15. Federal Express Corporation must submit and comply with the provisions of the Iran Contracting Act of 2010 prior to execution of lease amendment.



**SITE MAP**



**LOCATION MAP 1**





LOCATION MAP 2

