

REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Ron Domash

Approved by: Ron Domash – Property Manager, Property Services

SAB

Reviewed by: Samantha Bricker, Chief Sustainability and Revenue
Management Officer

D. Dy

City Attorney

JR

Justin Erbacci – Chief Executive Officer

Meeting Date:

4/22/2021

CAO Review:

Completed
 Pending
 N/A

<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	3/31/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS
CEQA	3/24/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	3/30/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	LK
Guest Experience	3/31/21	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	3/30/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA	KC

SUBJECT: Approval of Second Amendment to Lease LAA-8758 with Denny's, Inc. for a restaurant facility at Los Angeles International Airport

Approve the Second Amendment of Lease LAA-8758 with Denny's, Inc., located at 5535 W. Century Boulevard at Los Angeles International Airport, to extend the term by two years, with a one-year extension option, and reduce the minimum annual guarantee for the restaurant, that will generate no less than \$512,000 during the two-year extension period.

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 Second Amendment to Lease LAA-8758 with Denny's, Inc. for term extension and reduction of minimal annual guarantee.
4. FIND that pursuant to Los Angeles Administrative Code Section 10.15(a)(10) and Los Angeles Charter Section 371(e)(10) that the Board of Airport Commissioners finds that the use of competitive bidding would be impractical and undesirable.

5. AUTHORIZE the Chief Executive Officer to execute the Second Amendment to Lease LAA-LAA-8758, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

To allow Denny's, Inc. to continue operating its restaurant at Los Angeles International Airport.

2. Prior Related Actions

- **January 5, 2000 - Resolution No. 20896**
The Board of Airport Commissioners approved the acquisition and leaseback of the Travelodge Hotel property at 5535-5547 W. Century Boulevard, which included a hotel, a Denny's restaurant, and five billboard signs
- **January 14, 2013 - Resolution No. 26010 (LAA-8758)**
The Board of Airport Commissioners approved a five-year Lease with Denny's, Inc. for the operation of a restaurant facility
- **April 19, 2018- Resolution No. 26483 (LAA-8758A)**
The Board of Airport Commissioners approved First Amendment to Lease LAA-8758 with Denny's, Inc. for a term extension of one-year, with two one-year renewal options.

3. Current Action

Denny's, Inc. has operated its 7,347 square foot restaurant at 5535 W. Century Boulevard at Los Angeles International Airport since 1985. The restaurant is located at the corner of Century Blvd. and Aviation Blvd. The current Lease expires on April 30, 2021. Denny's, Inc. has been impacted and will continue to be impacted by the construction of the Consolidated Rental Car Facility and related utility infrastructure projects.

Commercial Development Division staff proposes to provide Denny's, Inc. with a two-year extension with a one-year option to: (1) avoid disruption to the restaurant clients; (2) allow for a continued revenue stream to Los Angeles World Airports; and (3) give staff time to analyze future uses after the Landside Access Modernization Program projects are complete. The one-year option would be at Los Angeles World Airport's discretion. Both Los Angeles World Airport and Denny's, Inc. have the right to terminate the Lease with a 60-day advance written notice.

Due to the Covid-19 pandemic and Denny's, Inc. drop in annual sales, Commercial Development Division staff agreed to reduce the Minimum Annual Guarantee requirement to \$256,000, from \$307,000, or 90% of 2019 annual gross sales. Denny's, Inc. will continue to pay the greater of the Minimum Annual Guarantee or 6.75% of gross receipts.

The table below provides a summary of the proposed Amendment:

<u>SUMMARY</u>		
	Current	Proposed
Term:	Extended to April 30, 2021, per Board Resolution 26483	Extend by two-years, with a one-year extension option at Los Angeles World Airports' discretion
Expiration:	April 30, 2021	April 30, 2023; If 1-year option executed, April 30, 2024
Cancellation Provision:	60-day by either party	No Change
DEMISED PREMISES:		
Restaurant Building	7,347 square feet	No Change
Land	51,189 square feet	No Change
RENT*:		
Minimum Annual Guarantee	\$306,959.11	\$256,000
Percentage of Gross Sales	6.75%	No Change
Annual Adjustment:	Based on the Consumer Price Index.	3% fixed annual adjustments, starting July 1, 2023
* Lessee shall pay the greater of the Minimum Annual Guarantee or six and three quarters percent (6.75%) of gross receipts as defined in the Lease.		

Action Requested

Staff requests the Board of Airport Commissioners approve the proposed Second Amendment to Lease LAA-8758 with Denny's, Inc., and authorize the Chief Executive Officer to execute the Lease 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 rental revenue of approximately \$512,000 to Los Angeles World Airports over the two-year extension period, with approximately \$768,000 in total revenue if the one one-year extension option is exercised.

4. Alternatives Considered

• ***Take No Action***

Taking no action is not recommended as it would: (1) result in lost revenue to Los Angeles World Airports; (2) cause the building to be vacant and fall into disrepair; and (3) disrupt services provided by Denny's, Inc. to its clients including LAWA project contractors.

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. 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. Denny's Inc. will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Small Business Enterprise do not apply to leases.
6. Denny's Inc. will comply with the provisions of the Affirmative Action Program.
7. Denny's Inc. has been assigned a Business Tax Registration Certificate number 0000105827-0010-4.
8. Denny's Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Denny's Inc. must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports, prior to the Lease Amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Denny's Inc. has submitted the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Denny's Inc. 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. Denny's Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Denny's Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.

Site Map



Location Map

