



Los Angeles World Airports

Item Number  
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## REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Denise Sample (Jul 1, 2021 16:19 PDT)

Approved by: Evan Haug, Senior Real Estate Officer

Samantha Bricker (Jul 1, 2021 16:43 PDT)

Reviewed by: Samantha Bricker, Chief Sustainability and Revenue  
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City Attorney

Justin Erbacci (Jul 1, 2021 19:11 PDT)  
Justin Erbacci, Chief Executive Officer

Meeting Date:

7/8/2021

CAO Review:

☐ Completed  
☒ Pending  
☐ N/A

<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	6/24/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS
CEQA	6/23/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	6/23/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	LK
Guest Experience	6/23/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	6/22/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC

### SUBJECT:

Approve a new 63-month office lease with Jenkins/Gales & Martinez, Inc., at Skyview Center, 6033 W. Century Boulevard, which will generate \$682,855 over the term.

### RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) and Article III, Class 1 (1) of the Los Angeles City CEQA Guidelines.
- FIND that the City of Los Angeles' (City) competitive bidding restrictions do not apply pursuant to Board Resolution 25714 where the Board of Airport Commissioners and the City Council found that it would be in the best interest of the City to contract with Colliers International for leasing services at the Skyview Center.
- APPROVE a new lease with Jenkins/Gales & Martinez, Inc., which includes a rental rate that will generate approximately \$682,855 over the 63-month term of the lease for Los Angeles World Airports.
- AUTHORIZE the Chief Executive Officer to execute the lease after approval as to form by the City Attorney and approval by the Los Angeles City Council.

6. APPROPRIATE funds in the amount of \$39,861 for broker commissions and \$144,864 for tenant improvements for a total amount of \$184,725.

### **DISCUSSION:**

#### **1. Purpose**

Approve the new lease with Jenkins/Gales & Martinez, Inc. at Skyview Center, 6033 West Century Boulevard, Suite 601, for a 63-month term.

#### **2. Prior Related Action**

- **May 21, 2013 – Resolution No. 25129**  
The Board approved acquisition of Skyview Center, a two-building office complex consisting of approximately 407,000 rentable square feet (SF).
- **December 10, 2015 – Resolution No. 25844**  
The Board of Airport Commissioners (Board) approved a 60-month Lease to Jenkins/Gales & Martinez, Inc. for office space in Skyview Center.

#### **3. Current Action**

Jenkins/Gales & Martinez, Inc. (Tenant) is an existing tenant in the Skyview Center on holdover status. The Tenant requested a smaller space to reduce their monthly costs. Staff identified that their existing suite at the Skyview Center can be reduced to accommodate the Tenant's request. The tenant requested and staff agreed to downsize their existing suite from 7,404 square feet to 4,527 square feet. To make the physical reconfiguration changes to their unit, staff negotiated a Tenant Improvement (TI) allowance in the amount of \$144,864, which will include the cost of updating their suite. During the last year, as COVID had a negative impact on many businesses, several tenants left Skyview or asked for shorter lease terms. While this negotiated TI allowance is higher than some other TI allowances provided previously, staff believes that the allowance is justified in order to secure a 5-year lease term with this Tenant. To offset the loss in rental revenue from downsizing and the TI allowance concession, staff negotiated an increase in the rental rate from \$2.25 per square foot to \$2.35 per square foot, with annual three percent increases.

The new lease will be for a 63-month term and will result in rental revenue to Los Angeles World Airports of approximately \$682,855 over the term; this includes three additional months of rent. In addition, Common Area Maintenance (CAM) costs will be recovered through separate charges. The table below provides a summary of the proposed terms:

Prior Lease Summary	Proposed New Lease
<b>TERM:</b> 60-months	<b>TERM:</b> 63-months
<b>COMMENCEMENT:</b> February 1, 2016	<b>COMMENCEMENT:</b> Following completion of TI work which is anticipated to take 150 days. Tenant will pay rent during construction at their existing rate.
<b>EXPIRATION:</b> January 31, 2021	<b>EXPIRATION:</b> 63 months after TI work is completed.
<b>DEMISED PREMISES:</b> 7,404 Square Feet	<b>DEMISED PREMISES:</b> 4,527 Square Feet
<b>RENT:</b> \$2.25/Square Feet/Month	<b>RENT:</b> \$2.35/Square Feet/Month
<b>CAM BASE YEAR:</b> 2016	<b>CAM BASE YEAR:</b> 2021
<b>TENANT IMPROVEMENTS:</b> N/A	<b>TENANT IMPROVEMENTS:</b> \$144,864 (\$32/SF)
<b>BROKER COMMISSION:</b> \$58,373.73	<b>BROKER COMMISSION:</b> \$39,861.34

The terms of the new Lease comply with or exceed the underwriting guidelines established by Los Angeles World Airports at the time of the Skyview Center purchase.

***How this action advances a specific strategic plan goal and objective***

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.* The proposed Lease with Jenkins/Gales & Martinez, Inc. that will generate \$682,855 over the 63-month term.

***Fiscal Impact***

Approval of this item will result in rental revenue of approximately \$682,855 to Los Angeles World Airports over the 63-month term. Los Angeles World Airports will also recover Common Area Maintenance costs as incurred.

**4. Alternatives Considered**

- ***Take No Action - Deny request to approve the Lease***  
Deferring approval of the new Lease will risk the loss of the tenant, and failure to approve the new Lease will result in lost revenue.
- ***Lease space to another tenant***  
No other parties have expressed interest and no prospective tenants are known to exist for these premises.

**APPROPRIATIONS:**

Appropriate funds in the amount of \$184,725 for tenant improvements and broker commission as approved in the Skyview Property Management Agreement and for tenant improvements.

**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) of the Los Angeles City CEQA Guidelines. In addition, interior alterations involving remodeling or minor construction where there be negligible or no expansion of use is exempt from CEQA requirements pursuant to Article III, Class 1(1).
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. Jenkins/Gales & Martinez, Inc. will comply with the provisions of the Living Wage Ordinance.
5. Business Enterprise (BE) Programs do not apply to leases.
6. Jenkins/Gales & Martinez, Inc. will comply with the provisions of the Affirmative Action Program.
7. Jenkins/Gales & Martinez, Inc. must submit a Business Tax Registration Certificate prior to execution of Lease Agreement.
8. Jenkins/Gales & Martinez, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Jenkins/Gales & Martinez, Inc. must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the Lease.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Jenkins/Gales & Martinez, Inc. has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Jenkins/Gales & Martinez, Inc. has been determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Agreement.
13. Jenkins/Gales & Martinez, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Jenkins/Gales & Martinez, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Jenkins/Gales & Martinez, Inc. has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This action is not subject to the provisions of the Iran Contracting Act.