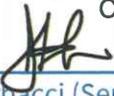




REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

 <u>Denise Sample (Sep 9, 2021 15:50 PDT)</u> Approved by: Denise Sample, Managing Director		<u>Meeting Date:</u> 9/14/2021 9:30AM																									
 <u>David Jones (Sep 9, 2021 15:53 PDT)</u> Reviewed by: David Jones, Deputy Executive Director, Commercial Development Division		<u>CAO Review:</u> <input type="checkbox"/> Completed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> N/A																									
<u>D Dazé (Sep 9, 2021 15:55 PDT)</u> City Attorney		<table border="1"> <thead> <tr> <th>Reviewed for</th> <th>Date</th> <th>Approval Status</th> <th>By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>9/2/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>JS</td> </tr> <tr> <td>CEQA</td> <td>8/31/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>VW</td> </tr> <tr> <td>Procurement</td> <td>8/31/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond</td> <td>BG</td> </tr> <tr> <td>Guest Experience</td> <td>8/31/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>9/2/2021</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA</td> <td>KC</td> </tr> </tbody> </table>		Reviewed for	Date	Approval Status	By	Finance	9/2/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS	CEQA	8/31/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW	Procurement	8/31/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	BG	Guest Experience	8/31/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB	Strategic Planning	9/2/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC
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 <u>Justin Erbacci (Sep 9, 2021 15:55 PDT)</u> Justin Erbacci, Chief Executive Officer																											

SUBJECT

Approve the Lease Termination Agreement for Lease No. VNA-7770 with National Helicopter Service and Engineering Company, with a waiver of deferred rent, as consideration for an earlier termination of the Lease.

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 II, Section 2.f of the Los Angeles City CEQA Guidelines.
3. APPROVE a Lease Termination Agreement with National Helicopter Service and Engineering Company and the waiver of deferred rent, as referenced in this report.
4. AUTHORIZE the Chief Executive Officer to execute a Lease Terminal Agreement between the City of Los Angeles and National Helicopter Service and Engineering Company after approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Provide Los Angeles World Airports the right to terminate the lease with National Helicopter early in support of plans to expedite a competitive solicitation to redevelop the premises.

2. Prior Related Action

- **September 8, 1998 – Board Order No. AO-4674 (VNA-7770)**
The Board of Airport Commissioners (Board) approved a 25-year lease with National Helicopter for 1.5 acres of land located at 16750 Roscoe Blvd. at Van Nuys Airport (VNY).
- **October 3, 2005 – Board Order No. AO-4979 (First Amendment)**
The Board approved a five-year payment plan for retroactive rent.
- **March 17, 2016 – Board Resolution No. 25908 (Second Amendment)**
The Board approved the expansion of the initial premises to a two-acre site and a 10-year term extension that enabled the potential redevelopment and modernization of the premises at VNY.
- **May 7, 2020 – Board Resolution No. 27018 (Third Amendment)**
The Board authorized the Chief Executive Officer to execute preapproved Letter Agreements with those VNY tenants, such as National Helicopter, that are eligible for temporary rent deferral during the declared local emergency period, as permitted under Los Angeles City Ordinance 186585. A Letter Agreement with National Helicopter was executed on January 25, 2021, to establish a payment plan for the deferred rent.

3. Current Action

Under Lease No. VNA-7770, National Helicopter currently leases two acres of Aviation Land and an 8,000 square foot office/hangar building. National Helicopter provides helicopter sales and leasing, charter, maintenance services, sightseeing, aerial photography, and aerial cinematography at 16750 Roscoe Boulevard at VNY (Attachment A).

The Second Amendment to the lease, which was approved on March 17, 2016, required National Helicopter to complete certain improvements to the premises by no later than December 31, 2018, at which point the lease term would extend to January 8, 2029. At the tenant's request, Los Angeles World Airports extended the improvement milestone completion date to December 31, 2019. However, National Helicopter was not able to complete any of the improvement milestones by this deadline. Therefore, the term of the lease was not extended, and Los Angeles World Airports had the right to terminate the lease no earlier than January 8, 2022, upon a 12-months' termination notice to National Helicopter. On July 16, 2021, Los Angeles World Airports issued a 12-month termination notice for Lease No. VNA-7770, establishing a termination date of July 15, 2022.

National Helicopter's business relies heavily on tourism and already was experiencing financial difficulties when the COVID-19 shelter-in-place restrictions were imposed in late March 2020. As a result of these restrictions, National Helicopter struggled to maintain operations at VNY and stopped making rent payments beginning on July 1, 2020. National Helicopter exercised its right under the Los Angeles City Ordinance 186585 to defer its monthly rent until the local emergency period was declared over. Los Angeles World

Airports and National Helicopter executed a Letter Agreement to confirm the obligation to repay the deferred rent in six equal installments on the first day of the month following the end of the local emergency period. As of today, the local emergency period remains in effect.

Based on these impacts, National Helicopter and Los Angeles World Airports have now agreed to terminate the lease earlier than July 15, 2022, without the required 12-month notice period. Terminating the lease early will permit Los Angeles World Airports to initiate a competitive process for the premises and reestablish revenue from this property. To secure the earlier termination, Los Angeles World Airports agrees to waive collection of the deferred rent that has accumulated since July 1, 2020.

As of September 1, 2021, National Helicopter owes \$141,749.39 in deferred rent to Los Angeles World Airports. The amount of deferred rent will continue to grow at a monthly rate of \$9,972.49 as shown in the table below, until the termination of the lease. If the proposed Termination Agreement is not executed, the termination date will remain July 15, 2022, and National Helicopter will owe \$231,501.80.

National Helicopter Property Lease	
Date	Amount of Deferred Rent
9/30/21	\$141,749.39
10/31/21	\$151,721.88
11/30/21	\$161,694.37
12/31/21	\$171,666.86
1/31/22	\$181,639.35
2/28/22	\$191,611.84
3/31/22	\$201,584.33
4/30/22	\$211,556.82
5/31/22	\$221,529.31
6/30/22	\$231,501.80

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.* Approval of the Lease Termination Agreement will grant Los Angeles World Airports the right to terminate the lease with National Helicopter early in support of plans to expedite a competitive process for the redevelopment of the premises and to reestablish revenue from the property.

Fiscal Impact

The fiscal impact is an estimated \$231,501.80 in revenue loss in the Fiscal Year 2021-22 Los Angeles World Airports Operating Budget, unless Los Angeles World Airports can secure a new tenant through a competitive process before June 30, 2022.

4. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended, as it would result in an opportunity cost to Los Angeles World Airports by not having a tenant who is able to redevelop and maintain the premises and pay the monthly rental payments.

APPROPRIATIONS

No appropriation of funds is required for this action.

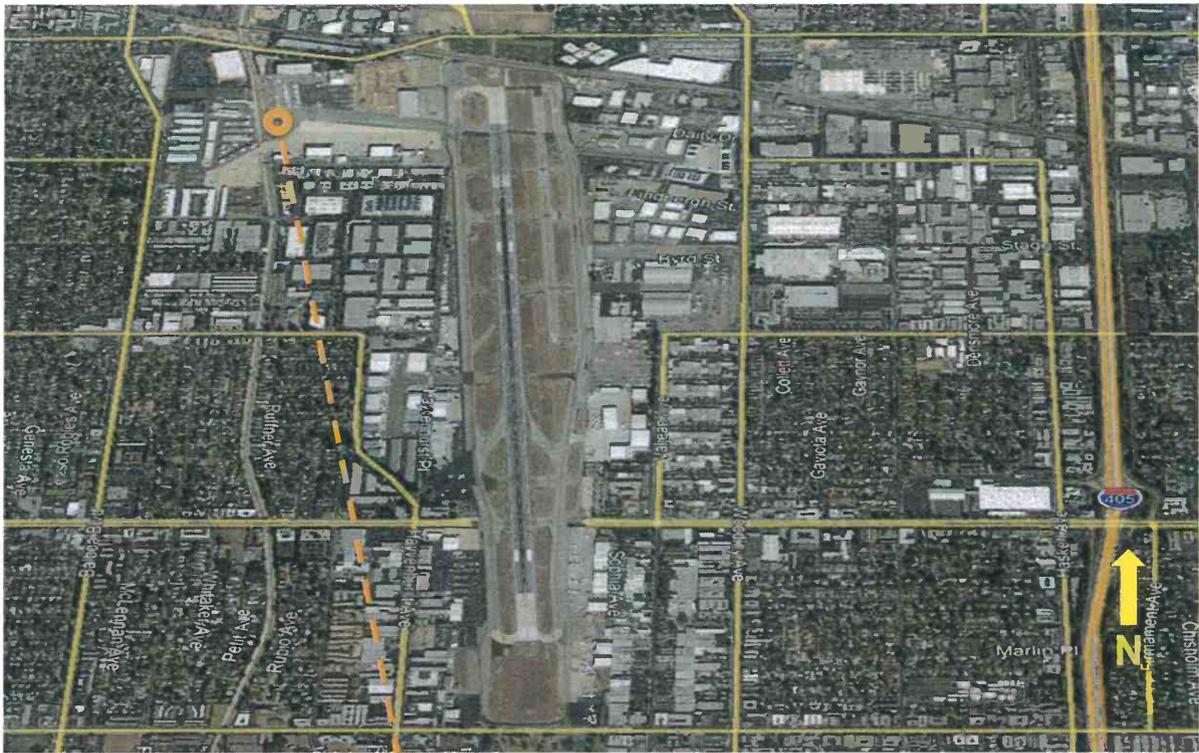
STANDARD PROVISIONS

1. This action, as a continuing administrative activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
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. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate number.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.

Attachment

- A. Site Map – Van Nuys Airport

Site Map – Van Nuys Airport



Demised Premises – 16750 Roscoe Boulevard

