



REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Reviewed by: Dave Jones, Deputy Executive Director, Commercial Development Division

Brian Ostler (Apr 8, 2022 09:50 PDT)

Brian C. Ostler, City Attorney

Justin Erbacci (Apr 8, 2022 13:03 EDT)

Justin Erbacci, Chief Executive Officer

Meeting Date

4/14/2022

Needs Council Approval: Y

Reviewed for / by	Date	Approval Status	By
Finance	4/6/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	3/25/2022	<input checked="" type="checkbox"/> Y	VW
Procurement	3/30/2022	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	QM
Guest Experience	4/1/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	3/31/2022	<input checked="" type="checkbox"/> Y	KC
City Attorney	4/5/2022	<input checked="" type="checkbox"/> Y	LN

SUBJECT

Request to approve the First Amendment to Lease LAA-8952 with Delta Air Lines, Inc. at 6033 West Century Boulevard, aka Skyview Center, to adjust the premises and extend the term by up to three years, yielding approximately \$1.3 million in revenue to the Los Angeles World Airports over the extended term.

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. FIND that City's competitive bidding restrictions do not apply pursuant to Board Resolution 25714 whereby the Board of Airport Commissioners and the Los Angeles 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.
4. APPROVE the First Amendment to the lease with Delta Air Lines, Inc. to adjust the premises and extend the term by up to two years.
5. AUTHORIZE the Chief Executive Officer, or designee, to execute the lease, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

To extend Delta Air Lines, Inc.'s (Delta) lease for office space at Skyview Center by up to three years, and adjust the premises periodically to align with Delta's reducing office space needs as the Delta Terminal 2/3 project enters the final phases of construction.

2. Prior Related Actions/History of Board Actions

- May 21, 2013 – Board Resolution 25129**
 The Board of Airport Commissioners (Board) approved acquisition of Skyview Center, a two-building office complex consisting of approximately 407,000 square feet (SF).
- January 10, 2017 – Board Resolution 26148 (LAA-8952)**
 The Board approved a 60-month lease with Delta for 25,229 square feet on the first and third floors at Skyview Center.

3. Background

Delta currently leases approximately 15,000 SF on the first floor and 9,000 SF on the third floor of the Skyview Center. The space was built out by Delta as Delta's project management office for the Delta Skyway Project at the Los Angeles International Airport (LAX). The current lease expired on January 31, 2022, and Delta has remained in the premises on a holdover status.

4. Current Action/Rationale

The Delta Terminal 2/3 project will be completed and closed out in phases over the next three years. Therefore, Delta's project management office space needs will decrease. Delta has requested that their lease be amended to reduce the premises in phases. Los Angeles World Airports staff reviewed Delta's request to adjust their lease space and negotiated the proposed First Amendment to extend the term for all suites to commence on February 1, 2022, and expire over a period of three years as shown in the table below.

PROPOSED FIRST AMENDMENT		
	Current	Proposed
Expiration Date	1/31/2022	Suite 300 – 1/31/2023 Suite 150 – 1/31/2024 Suite 100 – 1/31/2025
Premises	Suite 100 – 8,151 SF Suite 150 – 6,836 SF Suite 300 – 10,078 SF	No Change
Rental Rate	\$2.25/SF/month	\$2.25/SF/month through 2023 \$2.32/SF/month through 2024 \$2.39/SF/month through 2025
Annual Rent (including CPI Adjustments)	\$676,755	\$676,755 through 1/31/2023 \$416,788 through 1/31/2024 \$233,770 through 1/31/2025

Staff requests the Board to approve the proposed First Amendment to the lease 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.

5. Fiscal Impact

Approval of this item will result in rental revenue of approximately \$1.3 million to LAWA over the additional term.

6. Alternatives Considered

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

Deferring approval of the First Amendment will risk the loss of the tenant. As the First Amendment meets established guidelines, disapproval may impair ongoing efforts to market space in Skyview by creating uncertainty for prospective tenants.

APPROPRIATIONS

Appropriate funds in the amount of \$75,000 for Broker Commission and Tenant Improvements as approved in the Skyview Property Management Agreement.

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. 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 subject to the provisions of the Living Wage / Worker Retention Ordinances.
5. The Business Enterprise Programs do not apply to leases.
6. Delta Airlines, Inc. will comply with the provisions of the Affirmative Action Program.
7. Delta Airlines, Inc. has been assigned Business Tax Registration Certificate number 0000323933-0001-8.
8. Delta Airlines, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Delta Airlines, Inc. has approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports.

10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Delta Airlines, Inc. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Delta Airlines, Inc. must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to lease amendment.
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 the Bidder Contributions CEC Form 55.
15. Delta Airlines, Inc. has submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with the provisions.
16. This action is not subject to the Iran Contract Act of 2010.

ATTACHMENT

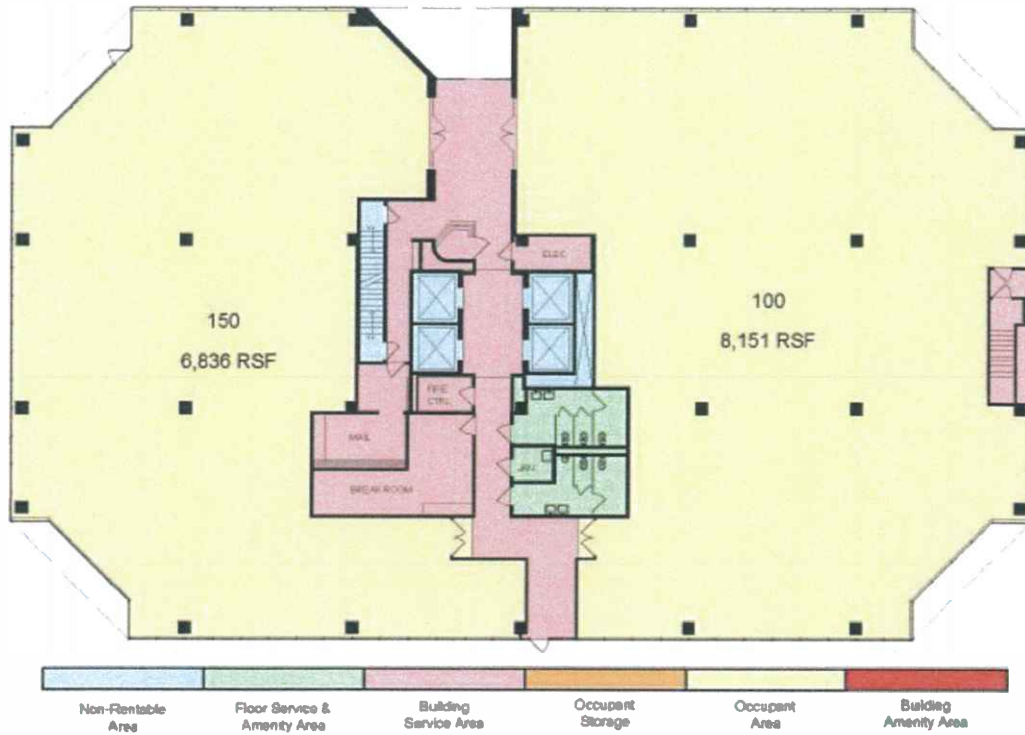
Location Map
Exhibit A – Suite 100 and 300

LOCATION MAP



Skyview- 6053 Century Blvd, 90045

Exhibit A- Suite 100



6033 WEST CENTURY BLVD
LOS ANGELES, CA 90045

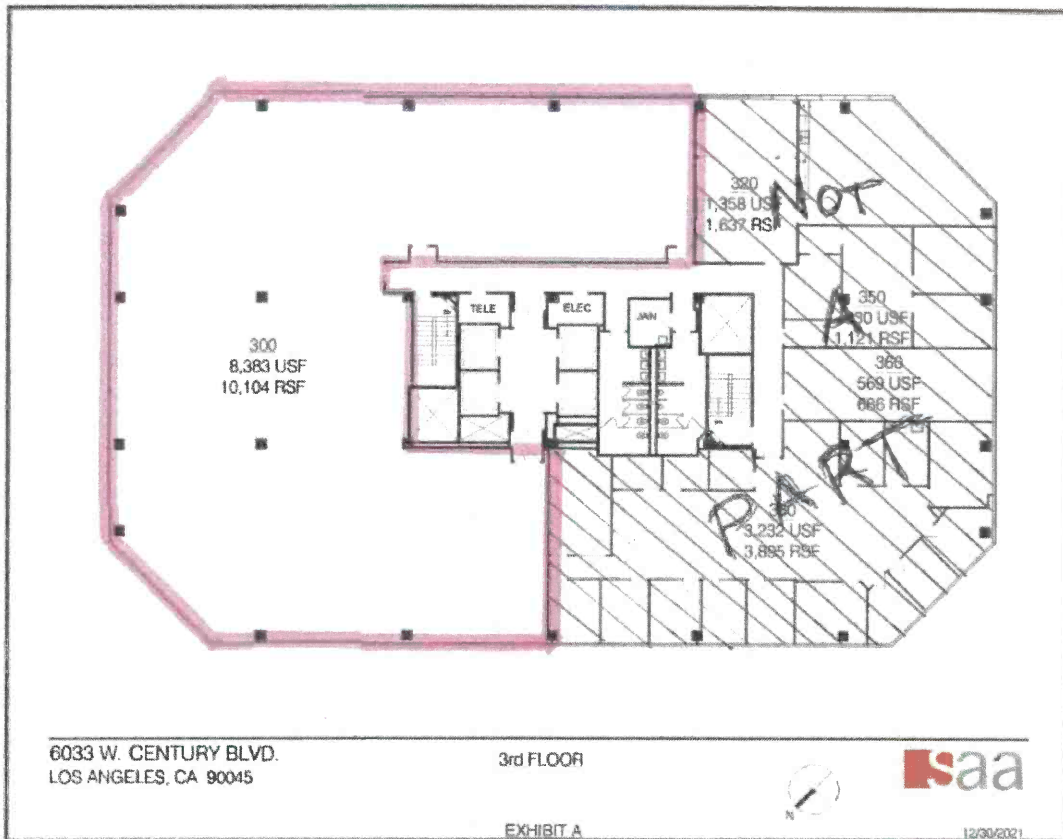
1st FLOOR



Updated 12/03/2018

EXHIBIT A

Exhibit A- Suite 300



First Amendment to Office Lease LAA-8952
(Skyview Center, 6033 W. Century Blvd., Los Angeles, CA)

This First Amendment to Office Lease (this "**Amendment**") is made and entered into as of the _____ day of _____, 2022 (the "Effective Date") by and between CITY OF LOS ANGELES, a California municipal corporation, acting by order of and through the Board of Airport Commissioners ("**Landlord**"), and DELTA AIR LINES, INC., a Delaware corporation ("**Tenant**").

RECITALS

A. Landlord and Tenant entered into that certain Office Lease dated January 20, 2017 (the "**Original Lease**"), whereby Landlord leases to Tenant that space commonly known as Suite 300, located on the third (3rd) floor, and Suites 100, 110, and 150, located on the first (1st) floor of that certain building at 6033 West Century Boulevard, Los Angeles, California (the "**Building**"). The Original Lease, as amended by this First Amendment, is herein referred to, collectively, as the "**Lease**."

B. By this Amendment, Landlord and Tenant desire to extend the term of the Original Lease and to otherwise amend the Original Lease on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. **Capitalized Terms.** Unless otherwise defined herein, the capitalized terms used in this Amendment shall have the same respective meanings ascribed to such terms in the Lease.

2. **The Premises; Stipulation of Rentable Square Feet.** Notwithstanding the execution of the Original Lease, the Parties hereby acknowledge that effective as of Effective Date (i) Suite 110 shall no longer be included in the Lease, ii) the premises shall be deemed to include Suites 100, 150, and 300 only (collectively, the "**Premises**"), iii) Suite 300 shall be deemed to consist of approximately 10,104 rentable square feet; Suite 100 shall be deemed to consist of approximately 8,151 rentable square feet; Suite 150 shall be deemed to consist of approximately 6,836 rentable square feet; the Premises shall be deemed consist of a total of approximately 25,091 rentable square feet; and the Building shall be deemed to consist of approximately 206,679 rentable square feet. The outline of the Premises is set forth in **Exhibit A** attached hereto and each floor, or floors, of the Premises has approximately the number of rentable square feet as set forth herein. Landlord and Tenant hereby stipulate to the "rentable square feet" of the Premises and Building as set forth herein and agree that the rentable square feet of the Premises and Building shall not be subject to remeasurement or modification during the Term of the Lease.

3. **New Terms for Suite 100, 150, and 300.** Landlord and Tenant acknowledge and agree that the original Lease Term expired on January 31, 2022. By this First Amendment, Landlord and Tenant hereby agree to extend the Lease Term as follows:

i) the Lease Term for Suite 100 shall be extended for a period which shall commence on the Effective Date and expire on January 31, 2025 (the “**New Term Suite 100**”), unless sooner terminated as provided in the Lease.

ii) the Lease Term for Suite 150 shall be extended for a period which shall commence on the Effective Date and expire on January 31, 2024 (the “**New Term Suite 150**”), unless sooner terminated as provided in the Lease.

iii) the Lease Term for Suite 300 shall be extended for a period which shall commence on the Effective Date and expire on January 31, 2023 (the “**New Term Suite 300**”), unless sooner terminated as provided in the Lease.

4. Monthly Base Rent. Notwithstanding anything to the contrary set forth in the Lease, as of the Effective Date, Tenant shall pay, in accordance with applicable provisions of the Lease and this Section 4, monthly installments of Base Rent for the Premises as follows:

<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Installment</u>	<u>Monthly Rate per RSF</u>
1	\$677,457.00	\$56,454.75	\$2.25
2	\$416,788.44	\$34,732.37	\$2.32
3	\$233,479.69	\$19,456.64	\$2.39

5. Base Rent Abatement. In accordance with applicable provisions of the Lease and this Section 5, in Lease Year One for the three (3) consecutive full month period that follows the Effective Date (the “**Abatement Period**”), Tenant shall not be obligated to pay Base Rent for the Premises (the “**Base Rent Abatement**”). In no event shall the amount of the Base Rent Abatement exceed One Hundred Sixty-Nine Thousand Three Hundred Sixty-Four and 25/100 Dollars (\$169,364.25). During the Abatement Period, Tenant is still responsible for the payment of all of its other monetary obligations under the Lease, as amended hereby.

6. Tenant’s Share; Base Year. Notwithstanding anything to the contrary in the Lease, effective as of the Effective Date, Tenant’s Share of annual Direct Expenses, as those terms are defined in Article 4 of the Lease, shall be 12.1401%, and the Base Year shall be 2022.

7. Security Deposit. Landlord and Tenant acknowledge that Landlord is currently holding a security deposit equal to One Hundred Seventy Thousand Two Hundred Ninety-Five and 75/100 Dollars (\$170,295.75) as security for the faithful performance by Tenant of the terms, covenants and conditions of the Lease (the “**Security Deposit**”). Landlord shall continue to hold the Security Deposit in accordance with the terms and conditions of the Lease.

8. Condition of the Premises; Common Area Upgrade. Except as expressly set forth in the Lease, including, without limitation, Landlord’s obligations and representations and warranties therein, Tenant agrees to accept the Premises in its “as-is” condition and acknowledges that Landlord shall not be obligated to grant any Tenant Improvement Allowance, or provide or pay for any work or services related to the improvement of the Premises. Except as expressly set forth in the Lease, Tenant also acknowledges that Landlord has made no

representations or warranties regarding the condition of the Premises nor the suitability of the Premises for the conduct of Tenant's business. In addition to any obligations under the Lease, Landlord, at Landlord's sole cost and expense, shall ensure restrooms are cleaned and sanitized daily. Landlord shall replace flooring in the third (3rd) floor restroom by the end of calendar year 2022.

9. Estoppel. Tenant warrants, represents and certifies to Landlord that as of the date of this Amendment: (a) to Tenant's actual knowledge without investigation, Landlord is not in default under the Lease; and (b) except for the Base Rent Abatement, to Tenant's knowledge, Tenant does not have any defenses or offsets to payment of rent and performance of its obligations under the Lease as and when the same becomes due. Landlord warrants, represents and certifies to Tenant that as of the date of this Amendment: to Landlord's actual knowledge without investigation, Tenant is not in default under the Lease.

10. Attorneys' Fees. In the event either party should commence an action to enforce any provisions of this Amendment, then all reasonable costs and expenses incurred by the prevailing party therein, including attorneys' fees, experts' and arbitrators' fees and costs, shall be paid by the other party, which obligation on the part of the other shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment. This provision with respect to attorneys' fees shall be severable from all other provisions of this Amendment, shall survive any judgment, and shall not be deemed merged into the judgment.

11. Option Term.

11.1 Option Right. Landlord hereby grants to Tenant originally named in this Lease (the "Original Tenant") one (1) option to extend the Lease Term for any suite (the "Option Suite") within the Premises for a period of one, two, or three years (the "Option Term"). This option shall be exercisable only by written notice delivered by Tenant to Landlord as provided below, provided that, as of the date of delivery of such notice, Tenant is not in default under this Lease beyond any notice and cure period in this Lease. The rights contained herein shall be personal to Original Tenant and may only be exercised by Original Tenant (and not any assignee, sublessee, or other transferee of Original Tenant's interest in this Lease).

11.2 Option Rent. The rent payable by Tenant during the Option Term (the "Option Rent") shall be equal to the "Market Rent" as defined herein. Market Rent shall mean the applicable Monthly Base Rent, including all escalations, Direct Expenses, additional rent and other charges at which tenants, as of the commencement of the Option Term, are leasing non-renewal, non-sublease, non-equity space comparable in size, location, and quality to the Option Suite for a term comparable to the Option Term, which comparable space is located in office buildings comparable to the Project in the LAX and El Segundo submarkets, taking into consideration the value of the existing improvements in the Option Suite to Tenant, as compared to the value of the existing improvements in such comparable space. In no event shall the option rent be less than a three percent (3%) increase from the previous year's Monthly Base Rent for the Option Suite.

11.3 Exercise of Option. The option contained in this Section 11 shall be exercised by Tenant, if at all, only in the following manner: (i) Tenant shall deliver written notice to Landlord not more than six (6) months nor less than (3) months prior to the expiration of the Lease Term for the Option Suite, stating that Tenant is interested in exercising its option (the "Tenant's Interest Notice"), (ii) Landlord, within thirty (30) days of receipt of Tenant's Interest

Notice, shall deliver notice (the “**Option Rent Notice**”) to Tenant setting forth the Option Rent; and if Tenant wishes to execute such option, Tenant shall, within fifteen (15) days of receipt of the Option Rent Notice irrevocably exercise the option by delivering written notice thereof to Landlord.

12. Early Termination Right. Tenant shall have, as to any suite, or all suites, within the Premises, the on-going right (the “**Termination Right**”), at Tenant’s option, to terminate the Lease prior to the expiration of the term for the applicable suite(s) (the “**Early Termination Date**”), provided that Tenant gives Landlord no less than six (6) months advance written notice, and provided, further, that Tenant pays to Landlord the Early Termination Fee (as defined below) on or before the date of termination. If Tenant timely delivers the termination notice to Landlord and timely pays to Landlord the Early Termination Fee, then the term of the Lease for the applicable suite(s) shall terminate on the Early Termination Date. For purposes of this Lease, the “Early Termination Fee” shall mean an amount equal to that portion of Landlord’s Amortizable Costs (as defined below) that have not been amortized as of the Early Termination Date with the amortization of such Landlord’s Amortizable Costs being calculated on a fully amortized basis over the term of the applicable suite(s) using an interest rate of six percent (6%) per annum. For purposes of this Lease, the term “Landlord’s Amortizable Costs” shall mean the sum of the following amounts but only as they are applicable to the suite(s) being terminated: (a) the total amount of the leasing commissions paid by Landlord to the real estate brokers in connection with the lease of the applicable suite(s); (b) the total amount of the abated Base Rent applicable to the terminated suite(s) provided to Tenant as set forth in Section 5 above; and (c) the a proportionate amount of fees and costs incurred by Landlord in connection with the negotiation and preparation of the Lease.

13. Parking. As of the Effective Date, Tenant, at the ratio of four (4) parking passes per one thousand (1,000) rentable square feet, rents from Landlord one hundred (100) parking passes, seventy-five (75) of which are for the surface parking Lot and twenty-five (25) of which are for the Structure. Tenant shall continue to rent these parking passes in accordance with the terms and conditions of the Lease, except that upon the expiration date for each of the suites within the Premises, as set forth in Section 3 above, Tenant’s parking passes shall be reduced and the ratio of three (3) parking passes per one thousand (1,000) rentable square feet shall be applied to determine the number of parking passes that Tenant may thereafter rent from Landlord. Additionally, in the event Tenant exercises its Termination Right in accordance with Section 11 above, then upon any Early Termination Date, Tenant’s parking passes shall be reduced and the ratio of three (3) parking passes per one thousand (1,000) rentable square feet shall be applied to determine the number of parking passes that Tenant may thereafter rent from Landlord.

14. Electronic Signature. This Amendment and any other document necessary for the consummation of the transaction contemplated by this Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this Amendment had been delivered that

had been signed using a handwritten signature. All parties to this Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Contract based on the foregoing forms of signature. If this Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“**E-SIGN**”) and the California Uniform Electronic Transactions Act (“**UETA**”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

15. Lease in Full Force. Except as amended and modified as set forth in this Amendment, the terms and provisions of the Lease remain the same and in full force and effect. Tenant and Landlord ratify the Lease, as amended hereby.

[Remainder of this Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be executed as of the date first above written.

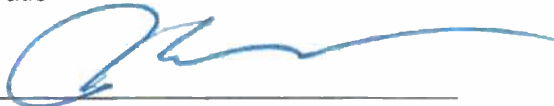
"Landlord:"
CITY OF LOS ANGELES,
a California municipal corporation, acting by
order of and through its Board of Airport
Commissioners

By: _____

Name: _____

Its: Executive Director

"Tenant:"
DELTA AIR LINES, INC., a Delaware
corporation

By:  _____

Name: Jim Boucher
Director - Corporate Real Estate

Title: _____ 2-8-22

By: rarivero _____

Name: rarivero

Title: Regional Director CRE Feb 8, 2022

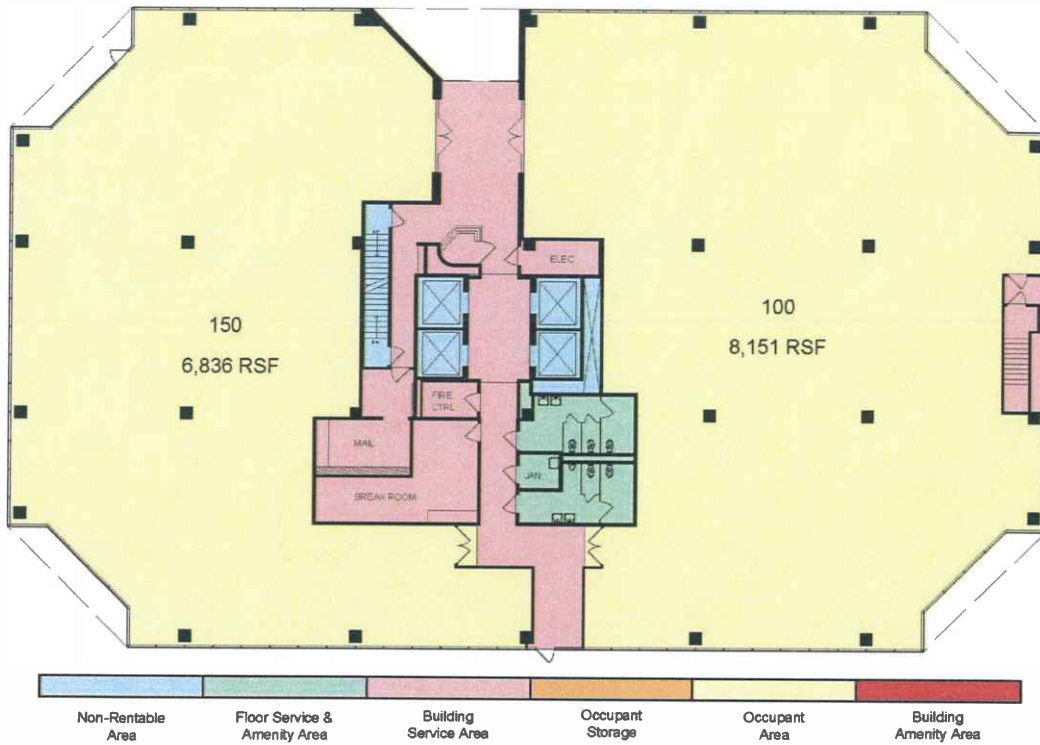
APPROVED AS TO FORM:

Michael N. Feuer, City Attorney

Date: _____

By: _____
Deputy/Assistant City Attorney

Exhibit A- Suite 100



6033 WEST CENTURY BLVD
LOS ANGELES, CA 90045

1st FLOOR

EXHIBIT A

Updated: 12/03/2018



Exhibit A- Suite 300

