

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 2, 2022

CAO File No. 0150-07875-0002

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communications from Los Angeles World Airports dated September 1, 2022; referred by the Mayor for a report on September 1, 2022

Subject: **PROPOSED SECOND AMENDMENT TO LEASE LAA-8781 WITH UNITED PARCEL SERVICE, INC. TO EXTEND THE TERM FOR THE CARGO FACILITY AT 6041 WEST IMPERIAL HIGHWAY AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve a proposed Second Amendment to Lease LAA-8781 with United Parcel Service, Inc., to continue cargo processing services at 6041 West Imperial Highway at Los Angeles International Airport, extend the lease term by three years, with two one-year extension options, effective September 6, 2022 through September 5, 2025, unless Los Angeles World Airports elects to exercise its renewal options, and increase the building rental rate which projects to yield Los Angeles World Airports approximately \$606,864 in revenue during the first year and \$3,169,000 over the duration of the lease, subject to City Attorney approval as to form and compliance with the City's Standard Provisions, including: Living Wage / Service Contractor Worker Retention Ordinances, Affirmative Action Program, Business Tax Registration Certification, Child Support Obligations Ordinance, Contractor Responsibility Program, First Source Hiring Program, and Bidder Contributions CEC Form 55;
2. Authorize the Chief Executive Officer to execute the proposed lease with United Parcel Service, Inc., upon approval by the Los Angeles City Council, and prior to the execution of the lease, United Parcel, Inc. must:
 - a. Have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports; and
 - b. Be determined by Public Works, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance; and

3. Return the request to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (BOAC) requests approval of Resolution 27577, authorizing a proposed Second Amendment (Amendment) to Lease LAA-8781 with United Parcel Service, Inc. (UPS; Tenant), to extend the lease term by three years, with two one-year extension options, to continue cargo processing services at 6041 West Imperial Highway (Air Freight 4 Building) at Los Angeles International Airport (LAX). Execution of the proposed Amendment will extend the new term through September 5, 2025, unless the one-year renewal options are exercised, and increase the building rental rate which projects to generate LAWA \$606,864 in revenue during the first year and \$3,169,000 over the term of the lease, excluding periodic and annual rental adjustments.

As an integrated cargo operator, UPS provides fast and reliable airport-to-airport cargo shipping and receiving service from the multi-tenant cargo facility at the Air Freight 4 Building. Its multinational freight forwarding services extend to over 90 United States airports and 120 international airports. The LAWA-owned Air Freight 4 Building comprises 13,795 square feet (SF) of warehouse and office space, 24,256 SF of automobile paving, 9,844 SF of aircraft paving, and 47,895 SF of land. UPS' current lease expired on September 5, 2022 and the company is now occupying the premises and performing its cargo operations on a month-to-month basis.

On August 20, 2013, the BOAC approved a five-year lease agreement between LAWA and UPS, and later authorized a First Amendment on August 16, 2018, to extend the lease for two more years, with two one-year extension options. The proposed Second Amendment will result in a term extension for up to five years and the Tenant paying market rent to continue performing its cargo operations at the Air Freight 4 Building. LAWA will increase the building rent rate from \$23.52 to \$25.50 per square foot per year (PSFPY) and include periodic rental rate adjustments to maintain consistent rental rates with other LAX cargo facilities of similar age, condition, and construction. The following table provides a financial summary of the amended Lease and the anticipated rental revenue that will be paid to LAWA through the Second Amendment:

Lease Category	Area: Square Feet (SF)	RATE (per square foot, per year)	Monthly Rent	Annual Rent
Building	13,795	\$25.50	\$29,314	\$351,768
Land	47,895	\$4.89	\$19,517	\$234,204
Auto Paving	24,256	\$0.48	\$970	\$11,640
Aircraft Paving	9,844	\$0.94	\$771	\$9,252
Totals:			\$50,572	\$606,864
<i>Monthly Rent is subject to periodic and annual rental adjustments pursuant to the Lease.</i>				

The BOAC approved the proposed Second Amendment to Lease LAA-8781 with United Parcel Service, Inc. to extend the term by three years, with two one-year renewal options to continue cargo operations at its meeting on September 1, 2022. Actions taken on this item by the BOAC will

become final pursuant to the provisions of Los Angeles City Charter Section 606.

FISCAL IMPACT STATEMENT

Approval of the proposed Second Amendment to Lease LAA-8781 with United Parcel Services, Inc., to extend the Lease for three years, with two one-year extension options, to continue cargo processing services at the Los Angeles World Airports' Air Freight 4 Building at Los Angeles International Airport will have no impact on the City's General Fund. The amended lease will have a positive impact on Los Angeles World Airports by yielding the Department approximately \$606,864 in rental revenue during the first year of the lease and \$3,169,000 over the remaining term. This item complies with Los Angeles World Airports' adopted Financial Policies.

MWS:DG:10230038



September 01, 2022

The Honorable Eric Garcetti
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

LAX

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City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

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Gabriel L. Eshaghian
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Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

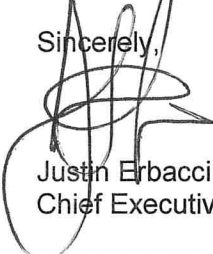
ATTN: Heleen Ramirez
Legislative Coordinator

RE: Second Amendment to Lease No. LAA-8781 with United Parcel Service, Inc.

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve the Second Amendment to Lease No. LAA-8781 with United Parcel Service, Inc. for the cargo facility located at 6041 West Imperial Highway at Los Angeles International Airport, that will extend the lease by up to five years and generate \$608,000 in the first year, and \$3,169,000 over the term of the lease.

City Council approval is required pursuant to Section 606 of the Los Angeles City Charter.

Sincerely,


Justin Erbacci
Chief Executive Officer




JPE:MSA:MTR:KSF
Attachments





Item Number
3

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:  Dave Jones, Deputy Executive Director Commercial Development Division	Meeting Date 9/1/2022			
	Needs Council Approval: <input checked="" type="checkbox"/> Y			
Reviewer:  Brian C. Ostler, City Attorney <i>mt</i>  <small>Justin Erbacci (Aug 25, 2022 17:18 PDT)</small> Justin Erbacci, Chief Executive Officer	Reviewed for/by	Date	Approval Status	By
	Finance	8/22/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
	CEQA	8/18/2022	<input checked="" type="checkbox"/> Y	VW
	Procurement	8/2/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	BG
	Guest Experience	8/4/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	8/16/2022	<input checked="" type="checkbox"/> Y	BNZ	

SUBJECT

Request to approve the Second Amendment to Lease No. LAA-8781 with United Parcel Service, Inc. for the cargo facility located at 6041 West Imperial Highway at Los Angeles International Airport, that will extend the lease by up to five years and generate \$608,000 in the first year, and \$3,169,000 over the term 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 III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Second Amendment to Lease No. LAA-8781 with United Parcel Service, Inc., and the adjusted building rental rate, as referenced in this report.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed Second Amendment upon approval by the City Attorney as to form and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

To extend United Parcel Service, Inc.'s (UPS) lease by three years, with two additional one-year options, to allow continued operation at their cargo processing facility at Los Angeles International Airport (LAX) and adjust the building rental rate.

2. Prior Related Actions/History of Board Actions

- **August 20, 2013 – Resolution No. 25215 (LAA-8781)**
The Board of Airport Commissioners (Board) approved a five-year lease with UPS for cargo space located at 6041 West Imperial Highway.
- **August 16, 2018 – Resolution No. 26563 (LAA-8781A)**
The Board approved the First Amendment to the UPS lease extending the term to September 5, 2022.

3. Background

United Parcel Service, Inc. is an integrated cargo operator that provides trucking and air transport of cargo for point-to-point destinations, which has operated at LAX since 2013. Their current lease, located within the multi-tenant Air Freight 4 Building at 6041 West Imperial Highway, consists of 13,795 square feet (SF) of warehouse and office space, 24,256 SF of automobile paving, and 9,844 SF of aircraft paving on 47,895 SF of land. United Parcel Service, Inc.'s current Lease No. LAA-8781 will expire on September 5, 2022. United Parcel Service, Inc. is a tenant in good standing.

4. Current Action/Rationale

Los Angeles World Airports (LAWA) staff and UPS negotiated an extension of the UPS lease to continue cargo operations at LAX for an additional three-years, with two one-year extension options. As part of the negotiation for this second amendment, UPS agreed to a building rental increase from \$23.52 to \$25.50 per square foot per year (PSFPY). The proposed building rental rate is consistent with the building rental rates at other similarly situated cargo facilities at LAX. The leases for the tenants adjacent to the UPS premises have terms that range from May 2025 to October 2036. In addition, the UPS lease provides LAWA a 90- day termination right for any reason with no penalty. Therefore, the proposed term extension for UPS, through September of 2027 if both options are exercised, will not impact LAWA's flexibility to pursue future planning for Cargo facilities or other use of this facility.

The terms of the proposed Second Amendment with UPS are summarized in the table below.

	CURRENT	PROPOSED
TERM		
Effective Date:	September 6, 2013	September 6, 2022
Expiration Date:	September 5, 2022	September 5, 2025, unless extended
Options:	None	Two one-year extension options, at CEO discretion
Early Termination:	90 days written notice by either party	No Change
PREMISES		
Building:	13,795 SF	No Change
Land:	47,895 SF	No Change
Automobile Paving:	24,256 SF	No Change
Aircraft Paving:	9,844 SF	No Change
RENTAL RATES		
Improvements:	\$23.52 PSFPY	\$25.50 PSFPY
Land:	\$ 4.89 PSFPY	No Change
Aircraft Paving:	\$ 0.94 PSFPY	No Change
Automobile Paving:	\$ 0.48 PSFPY	No Change
FIRST YEAR RENT	\$580,000	\$608,000
RENTAL ADJUSTMENTS		
Annual Adjustment:	CPI on July 1 with a 2% minimum	3% on July 1
Periodic Adjustment:	Land Rate Adjustment: July 1, 2025, and every five years thereafter.	No Change
	Improvement Rate Adjustment: Five years from the effective date and every five years thereafter.	No Change
	Paving rate adjustments as per standard LAWA procedures.	No Change

Staff requests that the Board approve the proposed Second Amendment with UPS and authorize the Chief Executive Officer, or designee, to execute the Second Amendment.

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 Second Amendment with UPS allows for increased revenue and the continuation of the company's world-wide cargo operations at LAX.

5. Fiscal Impact

Approval of the proposed Second Amendment will yield approximately \$608,000 in revenue in the first year and \$3,169,000, exclusive of rental rate adjustments, over the term of the amendment if both options are exercised.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended. Approval of the proposed Second Amendment will allow LAWA to increase the building rental rate, thus providing an increase in annual revenue. In addition, it will enable UPS to continue its cargo operations at LAX. Not taking action on the Second Amendment could risk the loss of the tenant.

- ***Issue a Public Solicitation***

As LAWA is currently reviewing a cargo modernization study, staff do not recommend performing a public solicitation for space that cannot be guaranteed for lease for a full term. Once the framework for the modernization plan has been determined, future consideration for a public solicitation for this site can be evaluated.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

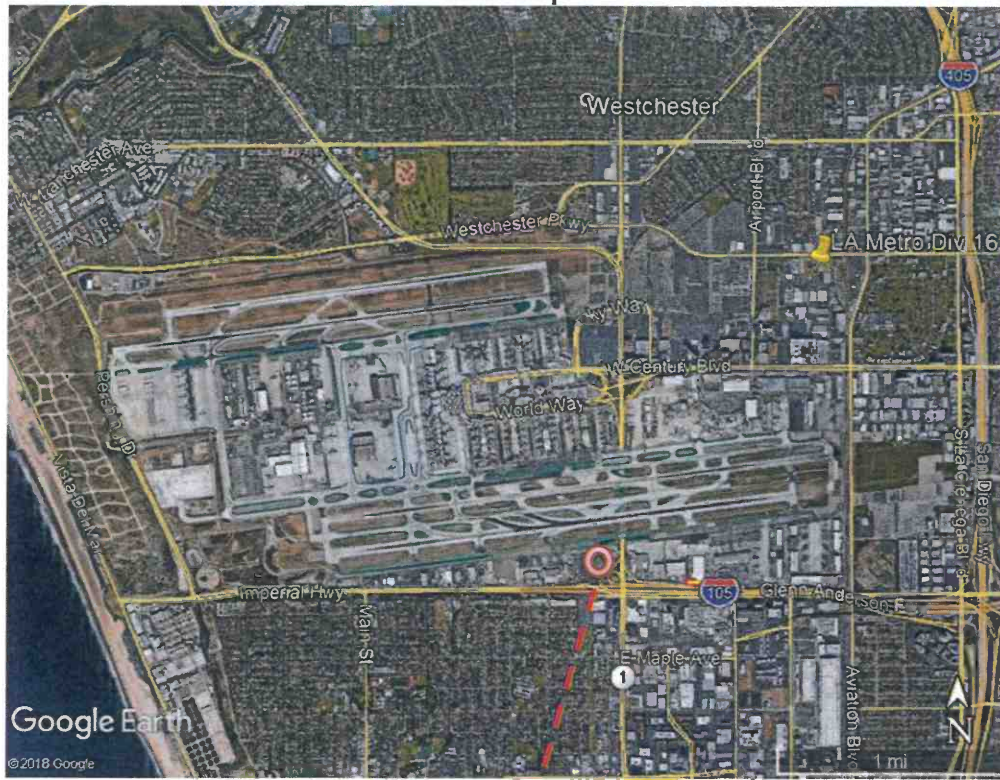
1. The issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. 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. United Parcel Service, Inc. will comply with the provisions of the Living Wage/Service Worker Retention Ordinances.

5. The Small Business Enterprise, Local Business Enterprise/Local Small Business Enterprise, and Disabled Veterans Business Enterprise Programs do not apply to leases.
6. United Parcel Service, Inc. will comply with the provisions of the Affirmative Action Program.
7. United Parcel Service, Inc. has been assigned Business Tax Registration Certificate No. 0000281689-0001-7.
8. United Parcel Service, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. United Parcel Service, 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. United Parcel Service, Inc. has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. United Parcel Service, Inc. has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. United Parcel Service, Inc. will comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. United Parcel Service, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.

ATTACHMENT

- Site and Location Maps

Site Map



Location Map



September 21, 2022

The Honorable City Council
of the City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Subject: Second Amendment to Lease LAA-8781 with United Parcel Service, Inc.

Pursuant to Section 606 of the City Charter, enclosed for your approval is the Second Amendment to Lease LAA-8781 with United Parcel Service, Inc. that was approved by the Board of Airport Commissioners at its September 1, 2022 meeting. There is no impact to the General Fund.

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Justin Erbacci
Chief Executive Officer

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board that the 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; and
2. Approve the Second Amendment to Lease LAA-8781 with United Parcel Service, Inc., to extend the term by up to five (5) years, covering the cargo facility located at 6041 West Imperial Highway within Los Angeles International Airport; and
3. Concur with said Board's action on September 1, 2022, by Resolution 27577, authorizing the Chief Executive Officer of Los Angeles World Airports to execute said Second Amendment to Lease LAA-8781 with United Parcel Service, Inc.

Very truly yours,



Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

GM/lfc

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Buscaino, e-file
Councilmember Bonin, e-file
Councilmember Lee, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27577

WHEREAS, on recommendation of Management, there was presented for approval, Second Amendment to Lease LAA-8781 with United Parcel Service, Inc. to extend the term by up to five (5) years, and adjusted building rental rate, covering the cargo facility located at 6041 West Imperial Highway within Los Angeles International Airport; and

WHEREAS, under Lease LAA-8781, United Parcel Service, Inc. (UPS), which is an integrated cargo operator that provides trucking and air transport of cargo for point-to-point destinations, has operated at Los Angeles International Airport (LAX) since 2013. Said lease expires on September 5, 2022; and

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Chief Executive Officer

WHEREAS, Los Angeles World Airports (LAWA) and UPS negotiated an extension of the UPS lease to continue cargo operations at LAX for additional three (3) years, with two (2) one-year extension options. As part of the negotiation for the Second Amendment, UPS agreed to a building rental increase from \$23.52 to \$25.50 per square foot per year, which is consistent with the building rental rates at other similarly situated cargo facilities at LAX. The leases for the tenants adjacent to the UPS premises have terms that range from May 2025 to October 2036. In addition, the UPS lease provides LAWA a 90-day termination right for any reason with no penalty. Therefore, the term extension for UPS, through September 2027 if both options are exercised, will not impact LAWA's flexibility to pursue future planning for cargo facilities or other use of the facility; and

WHEREAS, following is a summary of the terms of the Second Amendment:

	Prior	Amendment
Term:		
Effective Date	September 6, 2013	September 6, 2022
Expiration Date	September 5, 2022	September 5, 2025, unless extended
Options	none	two (2) one-year extension options at LAWA Chief Executive Officer's discretion
Early Termination	90 days written notice by either party	no change
Premises:		
Building	13,795 square feet	no change
Land	47,895 square feet	no change
Automobile Paving	24,256 square feet	no change
Aircraft Paving	9,844 square feet	no change



(table continued)

	Prior	Amendment
Rental Rates:		
Improvements	\$23.52/square foot/year	\$25.50/square foot/year
Land	\$ 4.89/square foot/year	no change
Aircraft Paving	\$ 0.94/square foot/year	no change
Automobile Paving	\$ 0.48/square foot/year	no change
First Year Rent:	\$580,000	\$608,000
Rental Adjustments:		
Annual Adjustment	Consumer Price Index on July 1 with a 2% minimum	3% on July 1
Periodic Adjustment	Land Rate Adjustment: July 1, 2025, and every five (5) years thereafter	no change
	Improvement Rate Adjustment: Five (5) years from effective date and every five (5) years thereafter	no change
	Paving rate adjustments as per standard LAWA procedures	no change; and

WHEREAS, 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; and

WHEREAS, UPS will comply with the provisions of the Living Wage/Service Worker Retention Ordinances; and

WHEREAS, UPS will comply with the provisions of the Affirmative Action Program; and

WHEREAS, UPS is assigned Business Tax Registration Certificate 0000281689-0001-7; and

WHEREAS, UPS will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, UPS has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, UPS has submitted the Contractor Responsibility Program Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, UPS has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, UPS will comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

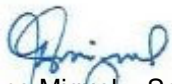
WHEREAS, UPS has submitted the Bidder Contributions CEC Form 55, and will comply with its provisions; and

WHEREAS, 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined 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; approved the Second Amendment to Lease LAA-8781 with United Parcel Service, Inc. to extend the term by up to five (5) years, and adjusted building rental rate, covering the cargo facility located at 6041 West Imperial Highway within Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Second Amendment to Lease LAA-8781 with United Parcel Service, Inc. after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27577 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, September 1, 2022.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

**SECOND AMENDMENT TO LEASE NO. LAA-8781
BETWEEN CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS
AND UNITED PARCEL SERVICE, INC.
FOR PREMISES AT 6041 WEST IMPERIAL HIGHWAY,
LOS ANGELES, CALIFORNIA**

THIS SECOND AMENDMENT TO THE LEASE (this "Second Amendment") is made and entered into as of September 6, 2022 (the "Amendment Effective Date") between the City of Los Angeles, acting by and through its Board of Airport Commissioners ("Board") of the Los Angeles World Airports ("LAWA"), a department of the City of Los Angeles (collectively, "City"), and UNITED PARCEL SERVICE, INC. ("Lessee"). City and Lessee are each a "Party" to this Second Amendment, and collectively are referred to herein as "Parties". Los Angeles International Airport is referred to herein as "Airport".

RECITALS

The Parties hereby acknowledge and agree that their respective decisions to enter into this Second Amendment are premised on the following recitals which set forth certain facts upon which the Parties agree:

A. City and Lessee entered into a Lease dated September 6, 2013 for premises at 6041 West Imperial Highway at Los Angeles International Airport, which lease was designated as Lease no. LAA-8781, and was amended on September 6, 2018 (as amended, the "Lease"). Unless otherwise specified, all capitalized terms in this Second Amendment shall have their meanings as set forth in the Lease.

B. The Parties have agreed to extend the term of the Lease under the terms and conditions of this Second Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Surrender of Premises.

(a) Article 1, Section 1.2 is hereby deleted in its entirety and replaced with the following:

"1.2. **Acceptance and Surrender.** It is understood and agreed that Lessee accepts the Demised Premises in an "as is" condition. Lessee agrees to surrender the Demised Premises upon the expiration or earlier termination of this Lease in a condition substantially similar to the condition of the Demised Premises on the date of first occupancy of the Demised Premises by Lessee, , except as modified in accordance with Article 1, Section 4 Required Repairs and

Improvements by Lessee, Article 2, Section 7 Improvements and Alterations, Article 2, Section 9 Modification to Size of Demised Premises, Article 2, Section 11 Signs, and Article 2, Section 12 Maintenance and Repair of Demised Premises or any other modifications made pursuant to this Lease, herein, ordinary wear and tear excepted. Lessee shall comply with the requirements for surrender of the Demised Premises stated in Exhibit D-1. If Lessee fails to surrender the Demised Premises in the condition required under this Section 1.2, then City may restore the Demised Premises to such condition at Lessee's sole cost."

(b) Exhibit D-1 to this Second Amendment is hereby added as Exhibit D-1 to the Lease.

Section 2. Term of the Lease. Article 1, Section 2.1 is hereby deleted in its entirety and replaced with the following:

"2.1 This Lease shall commence as of September 6, 2013 and shall expire September 5, 2025, subject to the Extension Option in Section 2.1.1 below, unless earlier terminated pursuant to the terms provided in this Lease. Either Party may terminate the Lease upon ninety (90) days' prior written notice to the other Party.

2.1.1 Extension Option. Lessee shall have two (2) options to request to extend the term of this Lease (each request, an "Extension Request") for one (1) year, subject to the Chief Executive Officer's approval in his/her sole discretion (to the extent such Extension Request is submitted by Lessee and approved by the Chief Executive Officer, an "Option Term") if and only if no Default Event (as defined under Article 2, Section 20.1) has occurred and is continuing and ongoing beyond all applicable cure periods. The Extension Request shall be exercisable by Lessee's delivery to the Chief Executive Officer of an irrevocable written notice exercising such Extension Request no later than sixty (60) days prior to the expiration date of the current term, provided that the Chief Executive Officer may accept an Extension Request thereafter at its sole discretion. The Chief Executive Officer shall have thirty (30) days from receipt of the Extension Request to notify Lessee of its determination of whether to approve the Extension Request, or else the Extension Request shall be deemed approved.

During the Option Term, the terms and conditions of this Lease shall continue in effect except as to terms and conditions of this Lease which are either expressly or by their operation applicable only during the original Term of this Lease. The exercise of an Extension Option shall not require an amendment to this Lease and shall not require the prior approval or later ratification by the Board or the Los Angeles City Council. For purpose of this Lease, unless otherwise provided herein, the phrase, "Term of the Lease" and/ or "Term" shall include the Option Term if the Extension Option is exercised in accordance with this provision."

Section 3. Parking. Article 1, Subsection 3.5 and 3.6 are hereby added as follows:

“**3.5. Parking Spaces:** Lessee shall make an adequate number of automobile parking spaces available for all persons needing access to the Demised Premises, including Lessee’s employees, contractors, sublessees, invitees, visitors, and other users of the leasehold (“Lessee Parties”), without infringing upon the rights of the City, other tenants, or other third parties, provided that nothing in this Lease shall be construed to provide any third parties with any causes of action against City or Lessee. Within 30 days from the Effective Date, Lessee shall submit a parking plan, which shall be subject to City’s review and approval, and shall require Lessee Parties to park in accordance with such City-approved parking plan.

3.6. **Truck Management.** Lessee shall be responsible for the control and management of trucks servicing the Demised Premises including any such trucks staging on the surrounding areas. Trucks servicing the Demised Premises shall not block or restrict City or third parties (including but not limited to adjacent tenants) from accessing their property or leaseholds.”

Section 4. Annual Adjustments. Article 1, Section 5.2.1 is hereby deleted in its entirety and replaced with the following:

“5.2.1. **Annual Adjustments.** Except when adjusted as provided in Article 1, Subsection 5.2.2. Periodic Adjustment to Fair Market Rental, below, the Monthly Rent for the Demised Premises covered under this Lease shall be subject to automatic, annual rental adjustments on July 1 (hereinafter referred to as "Annual Adjustment Date"). The Monthly Rent shall be revised and adjusted on the Annual Adjustment Date to three percent (3%) over the prior year.”

Section 5. Metering. Article 1, Section 6.4 is hereby added as follows:

“6.4. Without limiting the foregoing, if City adopts written requirements for Smart Meters or Advanced Metering Infrastructure for all similarly situated City-owned properties at Airport (“AMI,” as defined more particularly below), then Lessee shall install AMI at its sole cost upon City’s request. For purposes of this Section 6.4, AMI shall mean systems that measure, collect, and analyze energy usage, and communicate with metering devices such as electricity meters, gas meters, and water meters, either on request or on a schedule. These systems include hardware, software, communications, consumer energy displays and controllers, customer associated systems, meter data management software, and supplier business systems. Lessee shall provide utility consumption information to City upon request.”

Section 6. Exhibit B. Exhibit B to the Lease is hereby replaced with Exhibit B to this Second Amendment.

Section 7. Rental Payments Address. Article 2, Section 2.2 is hereby deleted in its entirety and replaced with the following:

“2.2. All payments shall be mailed to the following address:

LAWA Los Angeles World Airports
P.O. Box 102662
Pasadena, CA 91189-2662”

Section 8. Insurance. Article 2, Section 14.8 is hereby deleted in its entirety.

Section 9. Effect of This Second Amendment. Except as modified by this Second Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this Second Amendment. If there is any conflict between the provisions of this Second Amendment and the provisions of the Lease, the provisions of this Second Amendment shall prevail. Whether or not specifically amended by this Second Amendment, all terms and provisions of the Lease are amended to the extent necessary to give effect to the purpose and intent of this Second Amendment.

Section 10. Integration; No Third Party Beneficiaries. No provisions of the Second Amendment may be further amended or added to except by a written agreement signed by the Parties or their respective successors-in-interest. Except as expressly provided for herein, this Second Amendment is not intended to confer upon any person other than the Parties any rights or remedies hereunder.

Section 11. Governing Law; Interpretation. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of California. The Lease and this Second Amendment are subject to the provisions of the Los Angeles Administrative Code. Each Party represents and warrants that this Second Amendment has been negotiated and drafted at arms length by equally sophisticated parties, and any ambiguity cannot be attributed to either Party hereto. If any provision of this Second Amendment, or the application thereof to any persons or circumstances, shall be invalid or unenforceable, the remainder of this Second Amendment shall not be affected thereby, and each provision of this Second Amendment shall be valid and shall be enforceable to the fullest extent permitted by law.

Section 12. Rights of United States Government; National Emergency. The Lease and this Second Amendment shall be subordinate to the provisions and requirements of any existing or future agreement(s) between City and the United States relative to the development, operation or maintenance of LAX, including but not limited to Airport Grant Assurances. Furthermore, the Lease and this Second Amendment shall be subject to whatever right the United States Government now has or in the future may have or acquire affecting the control, operation, regulation, taking over, or use (whether exclusive or nonexclusive) of LAX during war or a national emergency.

Section 13. Counterparts and Electronic Signatures. This Second Amendment and any other document necessary for the consummation of the transaction contemplated by this Second 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 Second 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 Second Amendment had been delivered that had been signed using a handwritten signature. All parties to this Second Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Second 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 Second Amendment based on the foregoing forms of signature. If this Second 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.

SIGNATURE BLOCKS

IN WITNESS WHEREOF, the parties hereto have themselves or through their duly authorized officers caused this Lease to be executed as of the day and year hereinbelow written.

APPROVED AS TO FORM:
MICHAEL N. FEUER,
City Attorney

CITY OF LOS ANGELES

Date: _____

By: _____
Deputy/Assistant City Attorney


By _____
Chief Executive Officer
Department of Airports

ATTEST:

By  _____
Secretary (Signature)
Michael J. Francesconi
Print Name

[SEAL]

UNITED PARCEL SERVICE, INC.

By  _____
Signature
THOMAS FOOTE
Print Name
DIRECTOR
Print Title

**United Parcel Service
6041 Imperial Highway
Rent Exhibit**

<u>Description</u>	<u>Monthly Rent</u>
<u>Building:</u> 13,795 Square Feet @ \$25.50 Per Square Foot Per Year	\$ 29,312.04
<u>Cargo Land:</u> 47,895 Square Feet @ \$4.89 Per Square Foot Per Year	\$ 19,530.94
<u>Aircraft Paving:</u> 9,844 Square Feet @ \$0.94 Per Square Foot Per Year	\$ 774.37
<u>Auto Parking:</u> 24,256 Square Feet @ \$0.48 Per Square Foot Per Year	\$ 965.00
Total:	\$50,582.35

Faithful Performance Guarantee (FPG) \$151,747.05

Note:

1. The Cargo Land Rate is subject to Board approval and will be Effective January 1, 2022, and adjusted by CPI on July 1, 2022, if approved.
2. Rental rates will be adjusted annually pursuant to the terms of the lease.

EXHIBIT D-1: MOVE-OUT CONDITIONS

Lessee shall surrender the Demised Premises in the same condition as received, ordinary wear and tear, casualty loss, and condemnation excepted as stated in the Lease. Before surrendering the Demised Premises, Lessee shall remove all personal property, trade fixtures, and such alterations or additions to the Demised Premises made by Lessee as may be required herein. The following list is designed to assist Lessee with the move-out procedures but is not intended to be all inclusive. Upon Lessee's completion of its surrender obligations as provided in this Lease, please contact the City property manager to coordinate turning in keys, utility and fiberoptic internet changeover, if any, and scheduling an inspection of the Demised Premises. In the event Lessee fails to arrange a joint inspection of the Demised Premises with Landlord upon Lessee's vacating of the Demised Premises, City's inspection at, or subsequent to, Lessee's vacation of the Demised Premises shall be conclusively deemed correct for the purpose of determining Lessee's responsibilities with respect to the repair and restoration of the Demised Premises.

1. **Lights:** All interior office, warehouse, dock, emergency and exit lights will be fully operational with all bulbs, ballasts and fixtures functioning.
 2. **Dock Levelers, Service Doors and Truck Doors:** All truck doors, service doors, and dock levelers shall be serviced and placed in good operating order, including the replacement of any dented or damaged truck door panels and adjustment of door tension to insure proper operation. All door panels which are replaced must be painted to match the building standard.
 3. **Dock Seals/Dock Bumpers:** Free of tears and broken backboards repaired. All dock bumpers must be left in place and well secured.
 4. **Columns:** All columns in the warehouse and office shall be inspected for damage caused by Lessee. Necessary structural repairs must be pre-approved by Landlord prior to implementation. Any markings removed.
 5. **Warehouse Floor:** Free of stains and swept clean with no racking bolts and other protrusions or holes left in floor. Cracks, spalling, and racking bolt damage must be repaired with mm-80 (or equivalent) epoxy or polymer to match concrete color and finished smooth with slab surface. All floor striping (including paint or tape) in the Demised Premises shall be removed with no residual staining or other indication that such striping or taping existed, except for any striping as may be required by any Governmental Agency having jurisdiction, or any striping deemed acceptable by City.
 6. **Lessee-Installed Equipment and Wiring:** Air lines, conveyor or process electrical distribution, junction boxes, char broilers, boilers, generators, conduit, underground and above-ground storage tanks, etc., removed and space returned to the original condition when leased.
 7. **Walls:** Sheetrock (drywall) and/ or plywood damage patched and fire-taped so that there are no holes in either office or warehouse walls. Any damage to perimeter concrete or metal walls similarly repaired.
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8. Floor Finishes (Carpet and Tile): Carpet and vinyl or ceramic tiles should be in a clean condition and absent any holes or chips, ordinary wear and tear excepted provided they have been maintained.
 9. Roof: Any Lessee-installed equipment must be removed with all roof penetrations properly repaired by a licensed roofing contractor approved by City. Roof shall be inspected and repaired in needed in accordance with Landlord's maintenance and repair recommendations.
 10. Signs: All exterior signs must be removed with holes patched and painted to match building standard paint as necessary. All window or other interior signs must be removed.
 11. Electrical & Plumbing: All electrical and plumbing equipment to be returned in good working condition conforming to code.
 12. HVAC System: HVAC system shall be tested and placed in good working condition.
 13. Elevators: All elevators shall be serviced, inspected, and placed in good operating order.
 14. Emergency Power Generator must be functional and in good working condition.
 15. Fire, life, and safety systems: All fire, life, and safety systems shall be serviced, inspected, and placed in good operating order. A copy of latest inspection reports (examples: Fire Alarm, Supervising Alarm, Stored Electrical Energy System, Automatic Closing Fire Assemblies, Elevators: Group II & III and all Regulation 4 tests) shall be provided to City. Testing company to input testing results in the Los Angeles Fire Departments Brycer System within 5 days after testing.
 16. Paving: All exterior paving, whether asphalt or concrete, shall be cleaned professionally with any fuel/oil stained removed and returned in good condition. All cracks and potholes shall be repaired to City's standards.
 17. All storm water drains to be clean and clear of residue, dirt and debris.
 18. Overall Cleanliness: Clean windows, vacuum carpet, and remove all trash and debris from office and warehouse. Remove all pallets and debris from exterior of Demised Premises. All trade fixtures, dumpsters, racking, vending machines and other personal property to be removed.
 19. Restrooms and Janitorial Closets: All sinks, toilets, urinals, and floors to be cleaned, sanitized and clear of stains, paint, rust, dirt, and in proper working order.
 20. Odors: Remove any lingering odor which may exist in the Demised Premises resulting from Lessee's use and occupancy prior to surrendering or vacating the Demised Premises.
 21. Landscaping: Landscaping shall be free of weeds and debris. All hedges, plants and trees are to be trimmed, well-kept, and in good condition.
 22. Hazardous Substances: All hazardous substances must be properly removed from the Demised Premises in accordance with all Local, State, and/or Federal laws and regulations.
 23. If any asbestos-containing materials or lead-based paint is observed to be deteriorated or in poor condition, it should be evaluated and potentially abated by a properly licensed and certified contractor.
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24. Any triturators, cleaning racks, grease traps, clarifiers or other similar industrial waste discharge units must be professionally cleaned and inspected for structural integrity and returned in good working order.

Note:

* Any additional items noticed during pre-closeout inspections must be corrected prior to closeout.