

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 5, 2022

CAO File No. 0150-11963-0001

Council File No.

Council District: 6

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from Los Angeles World Airports dated October 6, 2022, referred by the Mayor for a report on October 6, 2022

Subject: **PROPOSED 63-MONTH OFFICE LEASE WITH GALLARDO LAW GROUP, P.C., AT THE LOS ANGELES WORLD AIRPORTS-OWNED AVIATION PLAZA**

RECOMMENDATION

That the Mayor:

1. Approve a proposed 63-month lease between the Los Angeles World Airports and Gallardo Law Group, P.C. (Gallardo Law; Tenant), at 16461 Sherman Way, Van Nuys, CA 91406, yielding LAWA approximately \$105,508 in net rent revenue over the lease term, effective upon the Lease Commencement Date and expiring 63 months thereafter, 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, Bidder Contributions CEC Form 55, and MLO Bidder Contributions CEC Form 50;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed lease with Gallardo Law Group, P.C., upon approval by the Los Angeles City Council, and prior to the execution of the lease, Gallardo Law Group, P.C. 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; Department) Board of Airport Commissioners (BOAC) proposes approval to award a 63-month lease (Lease; Agreement) to Gallardo Law, for occupancy of 1,414 square feet (SF) of office space at the LAWA-owned Aviation Plaza, adjacent to the Van Nuys Airport. Approval of the Lease will yield net revenue to LAWA in the amount of \$105,508 over the 63-month period.

The Aviation Plaza, acquired by LAWA in 2016, is a three-story commercial office building comprising 37 office suites and 55,600 rentable square feet of office space located at 16461 Sherman Way, Van Nuys, CA 91406. Net operating income at Aviation Plaza has been trending downward in recent years due to increased vacancies, high operating costs, and major deferred maintenance. Currently, LAWA's facility is 70 percent occupied, and its exclusive leasing agent, Colliers International Real Estate Management Services, Inc. (Colliers), is actively marketing available office space to prospective tenants to strengthen the Plaza's occupancy level.

As part of LAWA's plan to achieve greater income certainty, it intends to transition existing tenants on month-to-month holdover leases, such as Gallardo Law, to fixed-term leases. The tenant's proposed lease will begin upon completion of the Tenant Improvements and expire on the sixty-third month after the Lease Commencement Date. Subject to the contract provisions, Gallardo Law has a three-month rent abatement period and is not obligated to pay the Base Rent during the second, third, and fourth months of the lease term, which will result in \$5,940 of uncollected revenue during those intervals. The proposed 63-month Agreement includes a three percent annual rent rate cost escalation.

Because LAWA intends to lease Gallardo Law a suite in substandard condition, the Department staff negotiated a fair market Tenant Improvement allowance rate of \$10 per square foot to replace the carpet and paint the interior walls. LAWA will front-fund the Tenant Improvement costs with a one-time allowance distribution of \$14,140. These enhancement efforts are aimed to increase Aviation Plaza's occupancy level and position the facility to command higher rental rates. Other key building improvements and maintenance items to address base building-related deficiencies, such as elevator maintenance and roof replacement are funded through a separate capital project. LAWA will also pay Broker Commission fees to Colliers in the amount of \$7,417 for securing a new lease to an existing tenant.

The table below summarizes the estimated annual rent revenues paid to LAWA, minus the associated service fees, to illustrate how the one-time expenses will be offset.

Gross Rental Revenue	\$127,065
Tenant Improvements	(\$14,140)
Broker Commission Fees	(\$7,417)
Total One-time Payments	(\$21,557)
Net Rental Revenue	\$105,508
<i>Monthly Rent is subject to periodic and annual rental adjustments pursuant to the Lease.</i>	

The BOAC approved the proposed Agreement at its meeting on October 6, 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 to award a proposed 63-month Lease to Gallardo Law Group, P.C. will have no impact on the City's General Fund. LAWA will incur costs of \$21,557 to execute the new lease and will collect \$105,508 in net revenue over the lease term. The actions of the proposed lease comply with the Los Angeles World Airports' adopted Financial Policies.

MWS:DG:10230052



October 11, 2022

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

Sean O. Burton
Gabriel L. Eshaghian
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

Justin Erbacci
Chief Executive Officer

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

ATTN: Heleen Ramirez
Legislative Coordinator

RE: Request to approve the proposed Office Lease with Gallardo Law Group, RC

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve the proposed Office Lease with Gallardo Law Group, RC., at Aviation Plaza, 16461 Sherman Way, Van Nuys, that will generate \$105,508 in net revenue over the 63-month term.

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

Sincerely,

A handwritten signature in black ink, appearing to be "JE", with a stylized flourish at the end.

Justin Erbacci
Chief Executive Officer

JPE: MSA: MTR: KSF
Attachments





Item 9
here

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:



Dave Jones, Deputy Executive Director
Commercial Development Division

Meeting Date

10/6/2022

Needs Council Approval: ☒ Y

Reviewer:


Brian C. Ostler, City Attorney LTN


Justin Erbacci, Chief Executive Officer

Reviewed for/by	Date	Approval Status	By
Finance	9/27/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	9/16/2022	<input checked="" type="checkbox"/> Y	VW
Procurement	9/19/2022	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	QM
Guest Experience	9/21/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	9/26/2022	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to approve the proposed Office Lease with Gallardo Law Group, P.C., at Aviation Plaza, 16461 Sherman Way, Van Nuys, that will generate \$105,508 in net revenue over the 63-month term.

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 (1) and Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. FIND that the City's competitive bidding restrictions do not apply pursuant to Board Resolution No. 27530 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 Aviation Plaza.
4. APPROVE the proposed Office Lease with Gallardo Law Group, P.C., which will generate \$105,508 in net revenue over the 63-month term for Los Angeles World Airports.

5. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed Office 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 \$21,557.39, of which \$7,417.39 is for broker commissions and \$14,140 is for tenant improvements.

DISCUSSION

1. Purpose

Staff request approval of the proposed new 63-month office lease at Aviation Plaza with Gallardo Law Group, P.C. (Gallardo Law).

2. Prior Related Actions/History of Board Actions

- **June 15, 2016 – Resolution No. 26251**
The Board of Airport Commissioners (Board) approved the Settlement, Lease Termination, and Bill of sale, Assignment and Assumption Agreement between Los Angeles World Airports and Aviation Plaza, LLC pursuant to Lease VNA-5126 for 2.3 acres of land and a 54,680 square foot office building.

3. Background

Gallardo Law was a tenant at Aviation Plaza prior to Los Angeles World Airports (LAWA) taking possession of the building in 2016. At the time of acquisition, LAWA assumed all the previous building owner's month-to-month leases, one of which was with Gallardo Law. Beginning in 2019, LAWA staff began working to convert the previous owner-drafted leases at Aviation Plaza into LAWA's standard office lease format.

4. Current Action/Rationale

Los Angeles World Airports, through the leasing team at Colliers, negotiated with Gallardo Law to convert their month-to-month lease to a standard LAWA office lease with new terms and lease language. During the negotiations, Gallardo Law requested a larger suite in the building and LAWA was able to accommodate this request. Pursuant to LAWA's office leasing incentives, three months of rental abatement and a tenant improvement (TI) allowance of \$10/Square Foot (SF) were negotiated. The proposed Office Lease will generate approximately \$105,508 in net revenue over the 63-month term.

The table below provides a summary of the proposed terms of the lease:

Proposed Office Lease	
TERM:	63 months
COMMENCEMENT:	After completion of TI work
EXPIRATION:	63 months after completion of TI work
OPTIONS:	None
DEMISED PREMISES:	1,414 SF
RENTAL RATE:	\$1.40/Square Feet/Month
GROSS REVENUE FOR ENTIRE TERM:	\$127,065.48
RENT ABATEMENT:	2 nd , 3 rd , and 4 th months of the lease
TENANT IMPROVEMENTS:	< \$14,140>
BROKER COMMISSION:	<\$7,417.39>
NET REVENUE:	
(Gross Revenue Minus Broker Commission)	\$105,508.09

The terms of the proposed Office Lease comply with or exceed the underwriting guidelines established by LAWA at the time of the Aviation Plaza acquisition.

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. Leasing owned assets such as Aviation Plaza assists in growing revenue.

Fiscal Impact

Approval of this item will result in net revenue of approximately \$105,508 to LAWA over the 63-month term after the broker commission and the tenant improvement allowance are deducted.

5. Alternatives Considered

- ***Take No Action/Deny Request to Approve the Office Lease***
Deferring approval of the proposed Office Lease will risk the loss of the tenant, which will then result in lost revenue.
- ***Lease Space to Another Tenant***
No other parties have expressed interest in and no prospective tenants are known to exist for these premises, Suite 155. Therefore, leasing to another tenant is not a viable option at this time.

APPROPRIATIONS

LAWA requests the Board appropriate funds in the amount of \$7,417.39 for broker commissions and \$14,140 for tenant improvements as approved in the Property Management and Leasing Agreement with Colliers International Real Estate Management Services, Inc. at Aviation Plaza and Skyview Center.

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. And, interior or exterior alterations involving remodeling or minor construction where there will be negligible or no expansion of use is exempt from CEQA requirements pursuant to Article III, Class 1 (1).
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. Gallardo Law Group, P.C., will comply with the provisions of the Living Wage/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. Gallardo Law Group, P.C., will comply with the provisions of the Affirmative Action Program.
7. Gallardo Law Group, P.C., must submit a Business Tax Registration Certificate prior to execution of Lease Agreement.
8. Gallardo Law Group, P.C., will comply with the provisions of the Child Support Obligations Ordinance.
9. Gallardo Law Group, P.C., has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Gallardo Law Group, P.C., submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Gallardo Law Group, P.C., must be determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Agreement.

13. This action is not subject to the provisions of the First Source Hiring Program.
14. Gallardo Law Group, P.C., submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Gallardo Law Group, P.C., submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with its provisions.
16. This action is not subject to the provisions of the Iran Contracting Act of 2010.

October 19, 2022

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

Subject: Lease with Gallardo Law Group, PC

Pursuant to Section 606 of the City Charter, enclosed for your approval is the Lease with Gallardo Law Group, PC that was approved by the Board of Airport Commissioners at its October 6, 2022 meeting. There is no impact to the General Fund.

LAX

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Karim Webb

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 (1) and Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and
2. Approve the sixty-three (63)-month Lease with Gallardo Law Group, PC, covering office space in the Los Angeles World Airports-owned Aviation Plaza, located at 16461 Sherman Way, Van Nuys; and
3. Concur with said Board's action on October 6, 2022, by Resolution 27590, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Lease with Gallardo Law Group, PC.

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. 27590

WHEREAS, on recommendation of Management, there was presented for approval, sixty-three (63)-month Lease with Gallardo Law Group, PC covering office space in the Los Angeles World Airports-owned Aviation Plaza, located at 16461 Sherman Way, Van Nuys; and

WHEREAS, at the time of its acquisition of Aviation Plaza in 2016, Los Angeles World Airports (LAWA) assumed all the previous building owner's month-to-month leases, one of which was with Gallardo Law Group, PC (Gallardo Law). Beginning in 2019, LAWA began working to convert the previous owner-drafted leases at Aviation Plaza into LAWA's standard office lease format; and

WHEREAS, LAWA, through the leasing team of Colliers International Real Estate Management Services, Inc. (Colliers), negotiated with Gallardo Law to convert its month-to-month lease to a standard LAWA office lease with new terms and lease language. During the negotiations, Gallardo Law requested a larger suite in the building and LAWA was able to accommodate said request. Pursuant to LAWA's office leasing incentives, three (3) months of rental abatement and a tenant improvement allowance of \$10/square foot were negotiated. Following is a summary of the terms of the Lease:

Term	sixty-three (63) months
Commencement	after completion of tenant improvement work
Expiration	sixty-three (63) months after completion of tenant improvement work
Options	none
Demised Premises	1,414 square feet
Rental Rate	\$1.40/square foot/month
Gross Revenue for entire term	\$127,065.48
Rent Abatement	2nd, 3rd, and 4th months of the Lease
Tenant Improvements	<\$14,140>
Broker Commission	<\$7,417.39>
Net Revenue (<i>Gross Revenue minus Broker Commission</i>)	\$105,508.09; and

WHEREAS, the terms of the Lease comply with or exceed the underwriting guidelines established by LAWA at the time of the Aviation Plaza acquisition; and

WHEREAS, funds in the amount of \$7,417.39 for broker commissions and \$14,140 for tenant improvements, as approved in the property management and leasing agreement with Colliers at Aviation Plaza and Skyview Center, will be appropriated, 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, interior or exterior alterations involving remodeling or minor construction where there will be negligible or no expansion of use is exempt from CEQA requirements pursuant to Article III, Class 1 (1); and

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Karim Webb

Justin Erbacci
Chief Executive Officer



WHEREAS, Gallardo Law will comply with the provisions of the Living Wage/Worker Retention Ordinances, Affirmative Action Program, and Child Support Obligations Ordinance; and

WHEREAS, Gallardo Law must submit a Business Tax Registration Certificate prior to execution of Lease; and

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

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

WHEREAS, Gallardo Law must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the Lease; and

WHEREAS, Gallardo Law submitted the Bidder Contributions CEC Form 55 and the Municipal Lobbying Ordinance CEC Form 50, and will comply with their 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 (1) and Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; found that the City's competitive bidding restrictions do not apply pursuant to Board Resolution 27530 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 Real Estate Management Services, Inc. for leasing services at the Aviation Plaza; approved the sixty-three (63)-month Lease with Gallardo Law Group, PC covering office space in the Los Angeles World Airports-owned Aviation Plaza, located at 16461 Sherman Way, Van Nuys; authorized the Chief Executive Officer, or designee, to execute said Lease with Gallardo Law Group, PC after approval as to form by the City Attorney and approval by the Los Angeles City Council; and further approved appropriation of \$21,557.39, of which \$7,417.39 is for broker commissions and \$14,140 is for tenant improvements.

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I hereby certify that this Resolution No. 27590 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, October 6, 2022.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS