

0150-09526-00001

TRANSMITTAL

TO
Deborah Flint, Executive Director
Department of Airports

DATE

OCT 13 2015

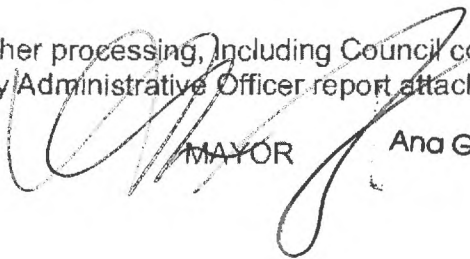
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
11

**Request to Approve the First Amendment to a Ground Lease with
Authorized Taxicab Supervision, Inc. for Management of the
Taxicab Operations at the Los Angeles International Airport**

Transmitted for further processing, including Council consideration. See the
City Administrative Officer report attached.


MAYOR

Ana Guerrero

MAS:WDC: 101600101

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 9, 2015

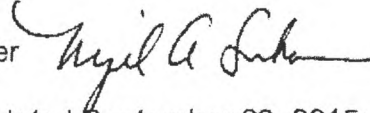
CAO File No. 0150-09526-0001

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Airports dated September 22, 2015; referred by the Mayor for report on September 22, 2015

Subject: **APPROVAL OF A FIRST AMENDMENT TO GROUND LEASE LAA-8562-1 WITH AUTHORIZED TAXICAB SUPERVISION, INC. FOR MANAGEMENT OF THE TAXICAB OPERATIONS AT THE LOS ANGELES INTERNATIONAL AIRPORT**

SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests approval to execute a First Amendment to a 10-year Ground Lease (copy attached) with Authorized Taxicab Supervision, Inc. (ATS; contractor) for the management of taxicab operations at the Los Angeles International Airport (LAX). The First Amendment incorporates a substitute premises in order to relocate the existing taxicab holding lot to accommodate the reconfiguration of Runway 6R-24L, the adjoining service road, and the AOA (Air Operations Area) fencing to enable compliance with federal safety regulations. If approved, the proposed lease modification would become effective shortly after Council approval and in time to meet the project construction schedule for runway reconfiguration. The March 31, 2021 lease expiration would not change; therefore, the lease modification and taxicab holding area relocation would be in effect for the remaining six years of the lease term.

Relocating the holding lot from 9468 Alverstone Avenue, Los Angeles, to the proposed 6150 W. 96th Street location will result in a 12.5 percent reduction in leased space (from 123,698 to 108,192 square feet—a reduction of 15,506 square feet) and a corresponding reduction in lease revenue to LAWA of \$90,710 for the first year and approximately \$513,419 over the remainder of the lease term. There is, however, an option included in the First Amendment that would add an additional 75,000 square feet (for a total of 183,192 square feet) of space at the new holding lot to enable expanded taxi operations that would result from a proposed increase in the frequency of taxis entering and exiting the holding lot and the airport's Central Terminal Area (CTA). Depending upon the total square footage leased by ATS, the annual rental revenue would range between \$632,923 and \$1,071,673 (see table on page three for details). The proposed new site is approximately one quarter mile southeast of the present location.

Authorized Taxicab Supervision has been providing taxicab management services at LAX for almost 25 years. According to LAWA, the move is not expected to negatively impact taxicab services. Pursuant to Charter Section 606 and the Los Angeles Administrative Code Section 10.5, the First

Amendment to Ground Lease LAA-8562-1, in that the term exceeds five years, must be approved by the Council. Additionally, to become effective, the City Attorney must approve the Amendment as to form. The above-referenced aspects of the First Amendment, and this report, are based upon revised information received from the Department subsequent to the initial request submittal.

The First Amendment to the ATS Ground Lease was approved by the Board of Airport Commissioners at its meeting of October 1, 2015.

BACKGROUND

The current LAX taxicab holding lot at 9468 Alverstone Avenue, Los Angeles—which includes a taxi queuing area, office trailers for taxi management staff, drivers' restrooms, a car wash, and automatic vehicle identification equipment—must be relocated to 6150 96th Street in order to accommodate federally-mandated improvements to what are known as "Runway Safety Areas" (RSAs) or "runway buffer zones" at both ends of Runway 6R-24L at the north end of the airport. The RSAs are undeveloped areas, typically 1,000 feet by 500 feet, at the end of each runway that act as buffer zones for aircraft that may overshoot, overrun, or veer off the runway's centerline during takeoff and landing. The RSA improvements and corresponding changes to the adjacent service road and AOA perimeter fence comprise the airport's Runway 6R-24L Safety Area Project whose term is estimated to run from August 2015 to December 2016. Runway closures resulting from related airfield improvements are affecting both arrival and departure flight schedules to varying degrees.

The location of the new site was determined by LAWA to be the best, most cost-effective location to accommodate the taxicab holding lot based upon its proximity to the airport, the availability of related airport access roads, its immediate availability, and its minimal impact on the taxicabs operation.

The contractor was originally selected by way of a Request for Proposal (RFP) that was released in November 2010, the primary requirements of which were that the successful proposer would (1) operate a taxicab holding area, (2) manage taxicab dispatch, (3) manage the taxicab loading process near the airline terminals, and (4) conduct taxicab vehicle inspections.

On March 7, 2011, the Board of Airport Commissioners approved a 10-year ground lease with ATS for the 9468 Alverstone Avenue location. A component of the lease agreement was the required investment of \$961,000 in capital improvements by ATS. According to the Department, the lot relocation's effect on the required capital improvements (e.g., construction of a portable building for kiosks and a training room, purchase and installation of a Central Terminal Area taxi stand podiums, upgraded computer network and dispatch system, and construction and installation of a new car wash/water reclamation/vacuum system) is such that LAWA will purchase from ATS the undepreciated amount of capital actually spent on the improvements and replace other required improvements through the RSA program. The Department does not yet have a final cost estimate for these items.

Department Lease Revenue and Lot Usage Statistics

The Department's estimated revenue from the ATS Ground Lease at the original 9468 Alverstone Avenue site was \$7.3 million over the 10-year lease term. With the proposed reduction in space

resulting from the move to 6150 West 96th Street, the lease revenue over the remaining six years is expected to decline by approximately \$513,419. However, if the option discussed above is exercised, the Department's annual rental revenue would actually increase to \$1,071,673.

The Department conservatively estimates that an average of 1.3 million taxicab trips annually originate from the LAX holding lot managed by ATS. For a given 24-hour period, the Department estimates that approximately 600 taxis (which includes single cabs that make multiple trips in the same day) will cycle through the taxicab holding lot to service LAX customers.

The following table illustrates the major components of and timetable for the ground lease and proposed First Amendment:

ATS TAXICAB OPERATIONS LEASE AGREEMENT - LAX 6150 West 96th Street, Los Angeles				
Description	Current Terms	Proposed Terms - Base	Changes	Proposed Terms - Option (Add'l 75,000 SF)
Lease Period	10 Years 4/1/2011-3/31/2021	10 Years 4/1/2011-3/31/2021	None None	None None
Cancellation Provision	90 days with prior written notice by LAWA	90 days with prior written notice by LAWA	None	None
Demised Premises: Land	123,698 SF*	108,192 SF	(15,506 SF) - (12.5%)	183,192 SF
Demised Premises: Auto Paving	123,698 SF	108,192 SF	(15,506 SF) - (12.5%)	183,192 SF
Rent Land	\$5.47 PSFPY**	\$5.47 PSFPY	None	\$5.47 PSFPY
Rent Auto Paving	\$0.37 PSFPY	\$0.37 PSFPY	None	\$0.37 PSFPY
Monthly Rent	\$60,303	\$52,744	(\$7,559) - (12.5%)	\$89,306
Annual Rent	\$723,633	\$632,923	(\$90,710) - (12.5%)	\$1,071,673
Annual Adjustment	Based on Consumer Price Index on July 1 each year; not less than 2% per year	Based on Consumer Price Index on July 1 each year; not less than 2% per year	None	Same as "Proposed Terms - Base"
Periodic Market Rent Adjustment	January 2016 for Land Rent	January 2016 for Land Rent	None	Same as "Proposed Terms - Base"
Maintenance & Repair	ATS is responsible for all maintenance and repairs related to premises	ATS is responsible for all maint. and repairs related to premises with exception of added responsibility for maint. of the Bur. Of Sanitation's stormwater runoff-related Low Impact Development program	The addition of ATS' responsibility for maint. of the Bur. Of Sanitation's stormwater runoff-related Low Impact Development program	Same as "Proposed Terms - Base"
*Square Feet **Per Square Foot Per Year				

Alternatives to Approving the First Amendment

According to the Department, there are no viable alternatives to approving the proposed First Amendment with ATS. By not moving the taxicab holding lot from its current location at the east end of Runway 6R-24L it would be an impediment to completing the Runway Safety Area Project and maintaining the Runway Object Free Area, which would, in turn, cause the Department to be in violation of federal runway safety regulations.

Compliance with City Administrative Requirements

As a consequence of the City's lack of expertise in the management of taxicab operations and the Department's Charter Section 1022 determination that these services can be more feasibly and economically performed by an independent contractor than by City employees, there have been no objections to these agreements by the affected City labor unions.

Pursuant to Charter Section 606 and the Los Angeles Administrative Code Section 10.5, the proposed Amendment to Ground Lease LAA-8562-1, being that it is for a period longer than five years, must be approved by the Council. Additionally, to become effective, the City Attorney must approve the First Amendment as to form.

With respect to compliance with the CEQA (California Environmental Quality Act) guidelines, the issuance of permits, leases, and agreements granting use of an existing facility at a municipal airport involving no expansion of use is exempt from the requirements of the CEQA pursuant to Article III, Class I (18)(c) of the Los Angeles City CEQA Guidelines. The Department indicates that in the event ATS requests exercise of the option contained in the First Amendment to add 75,000 square feet of space at the new holding lot, approval of the Executive Director would be required along with an additional CEQA evaluation at the time of the request.

Authorized Taxicab Supervision, Inc. must comply with the following Standard Provisions for City Contracts: the Service Contract Worker Retention and Living Wage Ordinances, Affirmative Action Program, Contractor Responsibility Program, Child Support Obligations Ordinance, the First Source Hiring Program for all non-trade airport jobs, and the provisions of the Bidder Contributions City Ethics Commission Form 55 pertaining to the City's contract bidder campaign contribution and fundraising restrictions (Charter Section 470 {c}{12}). In addition, ATS must be determined by the Department of Public Works, Office of Contract Administration, to be in compliance with the provisions of the Equal Benefits Ordinance.

With respect to the Department's insurance requirements, ATS has approved insurance documents, in the terms and amounts required, on file with the Department. As a lease, the underlying agreement and proposed First Amendment with ATS are not subject to the provisions of the Small Business Enterprise Program.

RECOMMENDATIONS

That the Mayor:

1. Approve, subject to City Attorney approval as to form and compliance with the City's Standard Provisions for Contracts including the Service Contract Worker Retention and Living Wage Ordinances, Affirmative Action Program, Contractor Responsibility Program, Child Support Obligations Ordinance, First Source Hiring Program for all non-trade airport jobs, provisions of the City Ethics Commission Form 55 pertaining to the City's contract bidder campaign contribution and fundraising restrictions, and a determination by the Department of Public Works, Office of Contract Administration, of compliance with the provisions of the Equal Benefits Ordinance; the First Amendment to Ground Lease LAA-8562-1 between the Los Angeles World Airports and Authorized Taxicab Supervision, Inc. for the continued management of taxicab operations at the Los Angeles International Airport through March 31, 2021;
2. Authorize the Executive Director of the Los Angeles World Airports to execute the proposed First Amendment; and
3. Return the First Amendment to the Los Angeles World Airports for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed First Amendment will result in reduced revenue to LAWA of 12.5 percent or \$90,710 (from \$723,633 to \$632,923) annually and approximately \$513,419 over the remaining six years of the lease. If, however, the option to increase the lease space by 75,000 square feet is exercised, LAWA's annual revenue would actually increase to \$1,071,673. This project complies with the Department of Airports' adopted Financial Policies. Approval of the Amendment will have no impact on the City's General Fund.

Time Limit for Council Action

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than five years within 30 days after submission to Council, the contract shall be deemed approved.

MAS:WDC:10160010

Attachment