

0150-06240-0001

TRANSMITTAL

TO Justin Erbacci, Chief Executive Officer Department of Airports	DATE 06/13/2023	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Proposed Lease with Singapore Airlines, Limited to Continue Cargo Operations at Los Angeles International Airport

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



MAYOR

(Chris Thompson for)

MWS/PJH/JVW:DG:10230115t

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 3, 2023

CAO File No. 0150-06240-0001

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles World Airports Board of Airport Commissioners (Board) dated February 16, 2023 and March 8, 2023; referred by the Mayor for a report on February 16, 2023

Subject: **RESOLUTION NO. 27670 AND PROPOSED LEASE WITH SINGAPORE AIRLINES, LIMITED TO CONTINUE CARGO OPERATIONS AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Resolution No. 27670 authorizing a proposed lease with Singapore Airlines, Limited to continue cargo operations at 6181 W. Imperial Highway at Los Angeles International Airport for a five-year term, effective March 3, 2023 through March 2, 2028, and authorize the amended rental rates that will pay LAWA an estimated \$2,457,411 in rent revenue during the first year and approximately \$13,300,000 over the total lease term;
2. Adopt the California Environmental Quality Act (CEQA) determinations of the March 8, 2023 Board of Airport Commissioners (Board) Resolution 27670, that this action is exempt from CEQA pursuant to State CEQA Guidelines Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines; and
3. Authorize the LAWA Chief Executive Officer, or designee, to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (Board) requested approval to execute a proposed continuation Lease with Singapore Airlines, Limited (Singapore), to maintain freight and passenger cargo processing operations at 6181 W. Imperial Highway at Los Angeles International Airport (LAX). Although Singapore's original lease expired on March 2, 2023,

the tenant will continue to carry out its operations at the LAX facility until a new agreement is reached. Execution of the proposed lease is contingent upon Council consideration and LAWA effectuating the agreement. If approved, the lease shall be retroactively effective from March 3, 2023 through March 2, 2028, for a total of five years. LAWA will collect an estimated \$2,457,411 in rental revenue during the first year and approximately \$13,300,000 over the duration of the lease (excluding automatic annual rental rate adjustments).

The proposed lease has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds five years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On March 8, 2023 and February 16, 2023, the Board approved Resolution 27670 and a LAWA staff report requesting approval to execute the proposed five-year replacement Lease with Singapore at 6181 W. Imperial Highway at LAX. Singapore began performing its cargo activities at LAX as a subtenant at the Imperial Cargo Complex in 1987. In 1997, the Board approved a 25-year ground lease (LAA-7633) with Singapore as a primary leaseholder, subject to the conditions that Singapore construct a 64,226 square-foot (SF) cargo facility at the 6181 W. Imperial Highway site. The tenant fulfilled its requirements by paving the land, developing a new cargo facility, and maintaining operations at the site through the initial lease term (March 3, 1998 to March 2, 2023).

Capital Investment Ownership Conversion - In accordance with LAWA's long-term ground lease agreements, tenants are not required to pay conventional lease fees, other than land rent, on the condition that the tenant develops the leased premises. In exchange for relieving the tenant from standard lease obligations and as part of LAWA's capital investment plan, all tenant improvements made to the premises by the lessee convert to LAWA ownership upon expiration of the lease.

New Lease Agreement - As the lease term expiration approached, Singapore expressed its desire to continue operations at the LAX facility. Rather than allowing the lease to go into holdover status, and consistent with LAWA's capital investment plan, LAWA negotiated a *new rental lease* with the tenant for five years. Authorization of the proposed lease will enable Singapore to continue its tenancy at the facility without incurring any operational disruptions. Given that LAWA's capital investment plan specifies that all tenant improvements convert to LAWA ownership, Singapore no longer owns any capital investments made to the premises, including the cargo building, and must commence paying market rent to continue its cargo operations at the LAX facility.

Financial Benefits - From the execution of Lease LAA-7633 through the term expiration, Singapore's monthly lease responsibilities only comprised payments for the use of the land at LAX. Currently, Singapore's annual lease fees total \$764,000. Approval of the proposed Lease will initiate rental payments for the building, aircraft cargo, and auto paving, as well as the land, for a combined total of \$2,457,411 in the first year. As a result, LAWA will increase its annual rental income by \$1,693,329 during the first year of the lease. Additionally, the annual revenue will escalate each successive year of the lease through annual rent rate adjustments.

Proposed Rental Income - The proposed rental rates are comparable to other buildings of similar age, condition, and construction at the airport, while the proposed land rate is based on an appraisal of LAWA-owned land (on and off the airport). The following table summarizes the rental revenue Singapore is required to pay in year one under the conditions of the proposed lease:

Singapore Airlines, Limited Proposed Lease Payments at 6181 W. Imperial Highway				
Lease Area	Square Feet (SF)	Rate Per Square Foot, Per Year (PSFPY)	Annual Rent (SF x Rate PSFPY)	Monthly Rent (Annual Rent / 12)
Building-Cargo	64,226	\$25.55	\$1,640,974	\$136,748
Land-Cargo	156,254	\$4.89	\$764,082	\$63,674
Auto Paving	73,423	\$0.48	\$35,243	\$2,937
Aircraft Paving	18,204	\$0.94	\$17,112	\$1,426
TOTALS:			\$2,457,411	\$204,784
<i>Annual Rent is subject to periodic and annual rental adjustments pursuant to the Lease.</i>				

Cargo Modernization Plan - Though LAWA is exploring various studies for its cargo facilities at and near LAX, executing the proposed replacement lease with Singapore is preferred over allowing the lease to roll into holdover status. Renewing the lease ensures that LAWA will maintain a long-term tenant and receive market rent for the facility while modernization studies are being assessed.

CITY COMPLIANCE

The City Attorney has reviewed the proposed Lease Agreement as to form and legality. The proposed Lease includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. In accordance with Charter Section 606 and Administrative Code Section 10.5(c), the Lease requires Council approval because the total term of the Agreement exceeds five years.

California Environmental Quality Act (CEQA) – On February 16, 2023, the Board determined that the proposed continuation cargo lease with Singapore at LAX is exempt from CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

Approval of the proposed five-year continuation Lease with Singapore Airlines, Limited at 6181 W. Imperial Highway at Los Angeles International Airport will have no impact on the City's General Fund. Execution of the proposed Lease will result in approximately \$2,457,411 in annual rent revenue to LAWA during the first year, and an estimated \$13,300,000 in net rental revenue over the five-year term (excluding automatic annual rental rate adjustments). The actions of the proposed Lease comply with Los Angeles World Airports' adopted Financial Policies.

Attachment 1 – BOAC February 16, 2023 Report and March 8, 2023 Resolution

February 17, 2023

The Honorable Karen Bass
Mayor, City of Los Angeles
City Hall – Room 303
Los Angeles, CA 90012

ATTN: Heleen Ramirez, Legislative Coordinator
ATTN: Thomas Arechiga, Deputy Legislative Coordinator

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

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

Justin Erbacci
Chief Executive Officer

RE: Request to approve a five-year lease with Singapore Airlines, Limited

In accordance with Executive Directive No. 4, we are transmitting a copy of the specified board report for the request to approve a five-year lease with Singapore Airlines, Limited, and approve an associated building rental rate for the property at 6181 West Imperial Highway at Los Angeles International Airport. The proposed lease will yield approximately \$2,500,000 in revenue in the first year and \$13,300,000, exclusive of the periodic rental rate adjustment, 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:ksf
Attachments





Item Number
here

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

Dave Jones, Deputy Executive Director
Commercial Development Division

Reviewer:

D Dazé (Feb 10, 2023 13:15 PST)

Brian C. Ostler, City Attorney *MT*

Justin Erbacci (Feb 10, 2023 13:38 PST)

Justin Erbacci, Chief Executive Officer

Meeting Date

2/16/2023

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	2/2/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	1/26/2023	<input checked="" type="checkbox"/> Y	BMS
Procurement	2/6/2023	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	SG
Guest Experience	2/6/2023	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	1/31/2023	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to approve a five-year lease with Singapore Airlines, Limited, and approve an associated building rental rate for the property at 6181 West Imperial Highway at Los Angeles International Airport. The proposed lease will yield approximately \$2,500,000 in revenue in the first year and \$13,300,000, exclusive of the periodic rental rate adjustment, 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 new lease with Singapore Airlines, Limited, and the associated building rental rate as referenced in this report.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed lease upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff requests a new five-year lease with Singapore Airlines, Limited (Singapore) to continue cargo operations at Los Angeles International Airport (LAX).

2. Prior Related Actions/History of Board Actions

- **July 1, 1997 – Board Order No. AO-4035 (Lease LAA-7633)**
The Board of Airport Commissioners (Board) approved a 25-year lease with Singapore for 3.5353 acres of land at 6181 West Imperial Highway at LAX.

3. Background

Singapore began cargo operations at LAX as a subtenant in the Imperial Cargo Complex in 1987. In 1997, the Board approved a 25-year ground lease with Singapore to construct a 64,226 square foot (SF) cargo building at 6181 West Imperial Highway. The lease required that Singapore invest no less than \$9.5 million to develop new cargo facilities on the site. Singapore successfully completed construction and has been a tenant in good standing since commencement of Lease LAA-7633. Singapore processes approximately 39,000 tons of belly and freighter cargo annually through this facility.

Singapore's current lease expires on March 2, 2023. Singapore staff approached LAWA staff to request a new lease, and staff negotiated a short-term five-year lease to allow Singapore to continue cargo operations while LAWA reviews options for future planning of cargo at LAX.

4. Current Action/Rationale

Singapore has operated at the site for 25 years in the facility that they constructed for their needs. Therefore, LAWA staff agreed to negotiate a new short-term lease with Singapore to maintain their operation. Accordingly, LAWA and Singapore staff agreed to the proposed new five-year lease for the facilities.

On the effective date of the proposed lease, ownership of the cargo improvements that Singapore made in 1997 pursuant to the ground lease (LAA-7633) will revert to LAWA. Therefore, under the proposed new lease, Singapore will pay market rent for the facilities resulting in an additional annual revenue to LAWA. As part of the negotiations, Singapore agreed to a building rental rate of \$25.55 per square foot per year (PSFPY), which is consistent with other comparable cargo facilities at LAX. In addition, Singapore will pay current Board-approved rates for land and paving areas.

The proposed lease includes an early termination provision that allows either party to terminate after the first 42 months of the five-year term with 180-days' advance written notice. This provides LAWA flexibility while it looks at options for future planning of cargo at LAX. The proposed new lease includes all standard LAWA terms and provisions.

Key elements of the proposed lease are shown in the table below:

	CURRENT	PROPOSED
TERM		
Effective Date:	March 3, 1998	March 3, 2023
Expiration Date:	March 2, 2023	March 2, 2028
Early Termination:	None	After the 42 nd month, 180-days advance written notice by either party
PREMISES		
Building:	0 SF	64,226 SF
Land:	156,254 SF	156,254 SF
Automobile Paving:	0 SF	73,423 SF
Aircraft Paving:	0 SF	18,204 SF
RENTAL RATES		
Improvements:	\$ 0.00 PSFPY	\$ 25.55 PSFPY
Land:	\$ 4.89 PSFPY	\$ 4.89 PSFPY
Aircraft Paving:	\$ 0.00 PSFPY	\$ 0.94 PSFPY
Automobile Paving:	\$ 0.00 PSFPY	\$ 0.48 PSFPY
FIRST YEAR RENT	\$ 764,000	\$ 2,507,000
TOTAL RENT (5-YEAR)		\$ 13,314,000
RENTAL RATE ADJUSTMENTS		
Annual Adjustment:	CPI on July 1	3% on July 1
Periodic Adjustment:	Land Rate Adjustment: November 1, 2018	Land Rate Adjustment: July 1, 2025
	Improvement Rate Adjustment: N/A	Improvement Rate Adjustment: Upon lease commencement date

Staff requests that the Board approve the proposed five-year lease with Singapore and authorize the Chief Executive Officer, or designee, to execute the lease after approval as to form by the City Attorney and approval by the Los Angeles City Council.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.* Approval of the lease with Singapore will provide for ongoing cargo operations and increased revenue for LAWA.

5. Fiscal Impact

Approval of the proposed lease will generate approximately \$2,500,000 in revenue in the first year and \$13,300,000 over the five-year term of the lease, exclusive of the periodic land rental rate adjustment.

6. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended. Approval of the proposed new lease will increase annual revenue and enable Singapore to continue its cargo operations at LAX.

APPROPRIATIONS

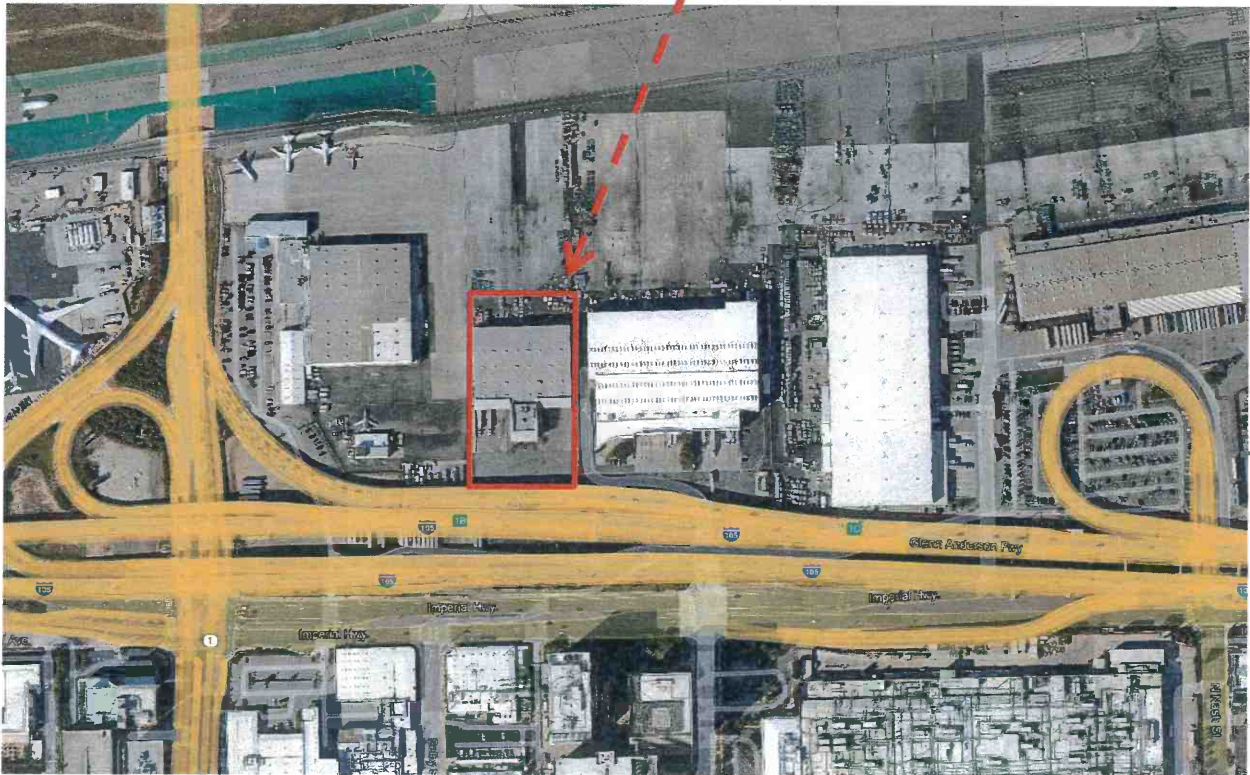
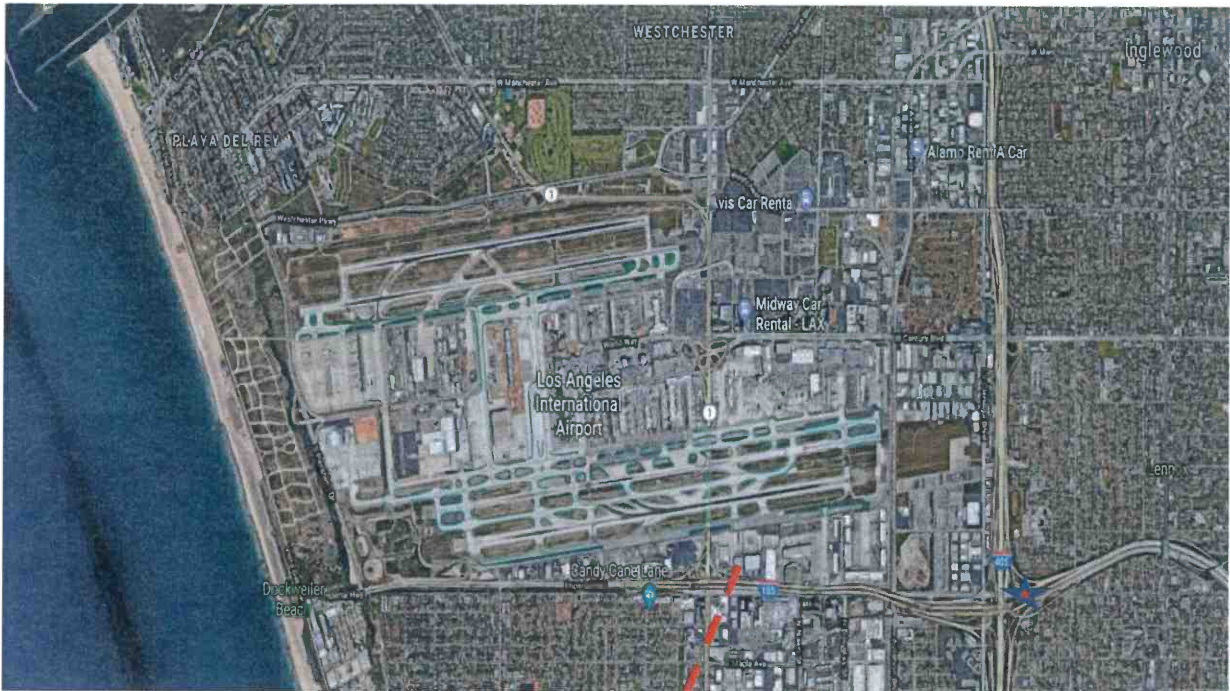
No appropriation of funds is required for this action.

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. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Business Enterprise (BE) Programs do not apply to leases.
6. Singapore Airlines, Limited will comply with the provisions of the Affirmative Action Program.
7. Singapore Airlines, Limited has been assigned Business Tax Registration Certificate number 0002647623-0001-7.
8. Singapore Airlines, Limited will comply with the provisions of the Child Support Obligations Ordinance.
9. Singapore Airlines, Limited must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the Lease.

10. This action is not subject to the provisions of the City Charter Section 1022 (Use of Independent Contractors).
11. Singapore Airlines, Limited must submit the Contractor Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Singapore Airlines, Limited must be determined by the Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to the execution of the lease.
13. Singapore Airlines, Limited will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. This action is not subject to the provisions of the Bidder Contributions CEC Form 55.
15. Singapore Airlines, Limited must submit the MLO Bidder Contributions CEC Form 50 and comply with its provisions.
16. This item is not subject to the provisions of the Iran Contracting Act.

Site Map



March 8, 2023

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

Subject: Five (5)-year Lease with Singapore Airlines Limited

Pursuant to Section 606 of the City Charter, enclosed for your approval is a five (5)-year Lease with Singapore Airlines Limited that was approved by the Board of Airport Commissioners at its February 16, 2023 meeting. There is no impact to the General Fund.

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

Board of Airport
Commissioners

Beatrice C. Hsu
President

Valeria C. Velasco
Vice President

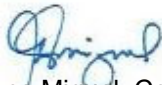
Gabriel L. Eshaghian
Matthew M. Johnson
Nicholas P. Roxborough
Belinda M. Vega
Karim Webb

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(18)(c) of the Los Angeles City CEQA Guidelines; and
2. Approve the five (5)-year Lease with Singapore Airlines Limited covering the property located at 6181 West Imperial Highway within Los Angeles International Airport; and
3. Concur with said Board's action on February 16, 2023, by Resolution 27670, authorizing the Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Lease with Singapore Airlines Limited.

Very truly yours,



Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

GM/lfc

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Park, e-file
Councilmember McOske, e-file
Councilmember Soto-Martinez, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27670

WHEREAS, on recommendation of Management, there was presented for approval, five (5)-year Lease with Singapore Airlines Limited, and associated building rental rate, covering the property located at 6181 West Imperial Highway within Los Angeles International Airport; and

WHEREAS, Singapore Airlines Limited (Singapore) began cargo operations at Los Angeles International Airport (LAX) as a subtenant in the Imperial Cargo Complex in 1987. In 1997, the Board of Airport Commissioners (Board) approved a 25-year ground lease (LAA-7633) with Singapore to construct a 64,226-square foot cargo building at 6181 West Imperial Highway. Said lease required that Singapore invest no less than \$9.5 million to develop new cargo facilities on the site. Singapore successfully completed construction and has been a tenant in good standing since commencement of said lease. It processes approximately 39,000 tons of belly and freighter cargo annually through the facility that it constructed for its needs; and

WHEREAS, said Lease LAA-7633 expires on March 2, 2023. Singapore approached Los Angeles World Airports (LAWA) to request a new lease. LAWA staff negotiated a short-term five (5)-year lease to allow Singapore to continue cargo operations while LAWA reviews options for future planning of cargo at LAX. Accordingly, LAWA and Singapore staff agreed to the new five-year Lease for the facilities; and

WHEREAS, on the effective date of the new Lease, ownership of the cargo improvements that Singapore made in 1997, pursuant to its Lease LAA-7633, will revert to LAWA. Therefore, under the new Lease, Singapore will pay market rent for the facilities resulting in an additional annual revenue to LAWA. As part of the negotiations, Singapore agreed to a building rental rate of \$25.55 per square foot per year, which is consistent with other comparable cargo facilities at LAX. In addition, Singapore will pay current Board-approved rates for land and paving areas; and

WHEREAS, the Lease includes an early termination provision that allows either party to terminate after the first 42 months of the five (5)-year term with 180-day advance written notice. This provides LAWA flexibility while it looks at options for future planning of cargo at LAX. The new Lease includes all standard LAWA terms and provisions. Following are the key elements of the previous and new leases:

	Previous Lease	New Lease
Term:		
Effective Date	March 3, 1998	March 3, 2023
Expiration Date	March 2, 2023	March 2, 2028
Early Termination	None	after the 42nd month, 180-day advance written notice by either party
Premises:		
Building	0 square feet	64,226 square feet
Land	156,254 square feet	156,254 square feet
Automobile Paving	0 square feet	73,423 square feet
Aircraft Paving	0 square feet	18,204 square feet



(table continued)

	Previous Lease	New Lease
Rental Rates:		
Improvements	\$0.00/square foot/year	\$25.55/square foot/year
Land	\$4.89/square foot/year	\$ 4.89/square foot/year
Aircraft Paving	\$0.00/square foot/year	\$ 0.94/square foot/year
Automobile Paving	\$0.00/square foot/year	\$ 0.48/square foot/year
First Year Rent	\$764,000	\$ 2,507,000
Total Rent [five (5) years]		\$13,314,000
Rental Rate Adjustments:		
Annual Adjustment	Consumer Price Index on July 1	3% on July 1
Periodic Adjustment	Land Rate Adjustment: November 1, 2018	Land Rate Adjustment: July 1, 2025
	Improvement Rate Adjustment: n/a	Improvement Rate Adjustment: upon lease commencement date; 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, Singapore will comply with the provisions of the Affirmative Action Program and Child Support Obligations Ordinance; and

WHEREAS, Singapore is assigned Business Tax Registration Certificate 0002647623-0001-7; and

WHEREAS, Singapore must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to execution of the Lease; and

WHEREAS, Singapore must submit the Contractor Program Pledge of Compliance and comply with the provisions of said program; and

WHEREAS, Singapore must be determined by the 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, Singapore will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

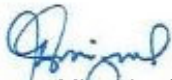
WHEREAS, Singapore must submit the MLO Bidder Contributions CEC Form 50 and comply with its provisions; and

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 five (5)-year Lease with Singapore Airlines Limited, and associated building rental rate, covering the property located at 6181 West Imperial Highway within Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Lease with Singapore Airlines Limited 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. 27670 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, February 16, 2023.

A handwritten signature in blue ink, appearing to read "Grace Miguel", is positioned above the printed name.

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS