

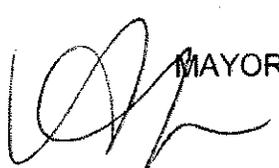
0150-10341-0000

TRANSMITTAL

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE JAN 23 2015	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Request to Execute Lease with Runway Two-Five Corporation for Premises Located at
11022 Aviation Boulevard at Los Angeles International Airport**

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

 MAYOR  (Ana Guerrero)

MAS:JFH:101500561

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 21, 2015

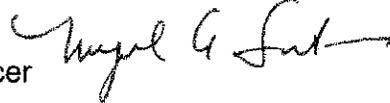
CAO File No. 0150-10341-0000

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Los Angeles World Airports dated January 9, 2015; referred by the Mayor for report on January 14, 2015

Subject: **REQUEST TO EXECUTE LEASE WITH RUNWAY TWO-FIVE CORPORATION FOR PREMISES LOCATED AT 11022 AVIATION BOULEVARD AT LOS ANGELES INTERNATIONAL AIRPORT**

SUMMARY

On June 20, 2014, Los Angeles World Airports (LAWA) issued a Request For Proposals (RFP) to initiate the competitive bid process for leasing off-airport property located at 11022 Aviation Boulevard at Los Angeles International Airport (LAX). The RFP was advertised in local newspapers, business trade journals, Loop-Net (a commercial real estate leasing website), and on the City's Business Assistance Virtual Network (BAVN).

Runway Two-Five Corporation (Runway Two-Five; RTFC) was the only respondent to the RFP and is the current Lessee of the property which is operated as The Proud Bird Restaurant. As required by the RFP, RTFC proposes to completely renovate the property by bringing it up to code and replacing the roof. Other improvements are also planned including development of a gift shop and enhanced displays focusing on historical aircraft and aviation. The current LAWA 13-month Lease with RTFC is due to expire on January 31, 2015.

The Executive Director of LAWA requests approval to execute a new 20-year lease of the property by Runway Two-Five Corporation for continued use as The Proud Bird Restaurant

The Department indicates that the proposed Lease (Agreement) requires RTFC to invest \$5 million in capital improvements to the facility, which must be completed within 24 months of the effective date. The Department further indicates that the Agreement will generate approximately \$4.6 million in revenue over the 20-year term, not including annual Consumer Price Index (CPI) adjustments, five-year market rate adjustments, or additional fees generated by overflow parking.

A Resolution approving the proposed Lease with RTFC was adopted by the LAWA Board of Airport Commissioners (Board) at its meeting of January 15, 2015. Significant provisions of the proposed Lease are identified in the attached table (Attachment).

City Council approval of the proposed Lease is required in accordance with Charter Section 606, and the Los Angeles Administrative Code Section 10.5. Furthermore, to become effective, the City Attorney must approve the Agreement as to form. The above-referenced aspects of the proposed Agreement, and this report, incorporate revised information received from the Department subsequent to the initial request submittal.

Background of the Proposed Sublease and Significant Provisions

On June 20, 2014, LAWA issued an RFP to initiate the competitive bid process for leasing off-airport property located at 11022 Aviation Boulevard at LAX. The RFP was advertised in local newspapers, business trade journals, Loop-Net (a commercial real estate leasing website), and on the City's BAVN.

Notwithstanding the current use of the property, the RFP indicated that LAWA would consider innovative proposed uses for the property if the proposer demonstrated that such use is permitted, represents a higher and better use of the property, and, as such, is in the best interest of LAWA. As required by the RFP, the successful proposer would be responsible for financing renovation of the property, managing services and operations in a quality manner, and maintaining the property over the term of the Lease.

Runway Two-Five was the only respondent to the RFP and is the current Lessee of the property which is operated as the Proud Bird Restaurant and Banquet Facility. As required by the RFP, RTFC proposes to completely renovate and upgrade the property including bringing it up to code and replacement of the roof. Other Lessee improvements are also planned including development of a gift shop and enhanced displays focusing on historical aircraft and aviation. The current 13-month LAWA lease with RTFC is due to expire on January 31, 2015.

The Executive Director of LAWA requests approval to execute a new Lease with RTFC for continued use of the property as The Proud Bird Restaurant.

The Department indicates that the proposed Lease requires RTFC to invest \$5 million in capital improvements to the facility which must be completed within 24 months of the effective date of the proposed Agreement. The Department further indicates that the Lease will generate approximately \$4.6 million in revenue over the 20-year term, not including annual CPI adjustments, five-year market rate adjustments or additional fees generated by overflow parking.

A Resolution approving the proposed Lease with RTFC was adopted by the LAWA Board at its meeting of January 15, 2015. Significant provisions of the proposed Lease are identified in the attached table.

City Council approval of the proposed Lease is required in accordance with Charter Section 606, and the Los Angeles Administrative Code Section 10.5. Furthermore, to become effective, the City Attorney must approve the Agreement as to form. The above-referenced aspects of the proposed Agreement, and this report, incorporate revised information received from the Department subsequent to the initial request submittal.

Alternatives to the Proposed Lease

The following alternatives to the proposed Lease were considered:

- Take no action to Lease the property and buildings. The Department indicates that such an action will: (1) lead to the termination of operations by the existing tenant (Proud Bird Restaurant and Banquet Facility), (2) result in no investment in the facility, and (3) reduce near term revenue to LAWA
- Change the use of the property. The Department indicates that without substantial investment, the operation of the current restaurant and banquet facility cannot continue. In the absence of the proposed Lease, LAWA staff recommend that the entire facility be temporarily mothballed until it can be demolished and the Department can establish alternative uses for the land such as construction laydown, vehicle storage, or airport support facilities

Compliance with City Administrative Requirements

Since the proposed Agreement is a property and facility lease, it is not subject to the provisions of Charter Section 1022. The proposed lease is also exempt from the provisions of the Minority/Women Business Enterprise Program enacted by the Mayor's Executive Directive 2001-26 since that Directive specifies that the Program only applies to contracts.

The Department will ensure Lessee compliance with the City's Standard Provisions applicable to leases including: Living Wage and Service Worker Retention Ordinances, Affirmative Action Program, Child Support Obligations Ordinance, City insurance requirements, Contractor Responsibility Program, First Source Hiring Program, Bidder Contributions CEC Form 55, and determination by the Department of Public Works, Office of Contract Compliance, of the Lessee's compliance with provisions of the Equal Benefits Ordinance prior to the execution of the proposed Lease.

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 franchise, permit, license or lease that is longer than five years within 30 days after submission to Council, the lease shall be deemed approved. Additionally, to become effective, the City Attorney must approve the proposed Lease as to form.

California Environmental Quality Act Guidelines

With respect to CEQA (California Environmental Quality Act) the Department indicates that the issuance of permits, leases, agreements, and renewals, amendments or extensions thereof, or other entitlements granting use of an existing airport facility involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted is exempt from the requirements of CEQA pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA guidelines.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed Lease between Los Angeles World Airports and Runway Two-Five Corporation for premises located at 11022 Aviation Boulevard at Los Angeles international Airport, subject to City Attorney approval as to form and compliance with the City's Standard Provisions for leases including: Living Wage and Service Worker Retention Ordinances, Affirmative Action Program, Child Support Obligations Ordinance, City insurance requirements, Contractor Responsibility Program, First Source Hiring Program, Bidder Contributions CEC Form 55, and determination by the Department of Public Works, Office of Contract Compliance, of the Lessee's compliance with provisions of the Equal Benefits Ordinance prior to the execution of the proposed Lease;
2. Authorize the Executive Director to execute the Lease; and
3. Return the proposed Lease to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed Lease with Runway Two-Five Corporation will generate approximately \$4.6 million in revenue over the 20-year term, not including annual CPI adjustments, five-year market rate adjustments, or additional fees generated by overflow parking. The proposed Lease will have no impact on the City's General Fund.

Time Limit for Council Action

Pursuant to Charter Section 606 and the Los Angeles Administrative Code Section 10.5, unless the Council takes action disapproving a franchise, permit, license or lease that is longer than five years within 30 days after submission to Council, the lease shall be deemed approved.

MAS:JFH:10150056

Attachment

ATTACHMENT

SUMMARY OF CURRENT AND PROPOSED PROVISIONS OF LAWA LEASE WITH RUNWAY TWO-FIVE CORPORATION (RTFC) FOR PREMISES AT 11022 AVIATION BOULEVARD AT LOS ANGELES INTERNATIONAL AIRPORT

ITEM DESCRIPTION	CURRENT LEASE	PROPOSED LEASE
Term	13 Months	20 Years
Effective Date	January 1, 2014	February 1, 2015
Expiration	January 31, 2015	January 31, 2035
Required Minimum Investment	None	\$5,000,000 Investment in capital improvements: facility renovation, building code upgrades, and roof replacement
Flight Path Museum Relocation	None	Ten-years additional term to be added if RTFC enters into an agreement with Flight Path Museum to be relocated within three years of the effective date
Demised Premises	4.47 acres of off-airport industrial land and 52,072 square feet of buildings	4.47 acres of off-airport industrial land and 52,072 square feet of buildings
Non-Premises Aircraft Display Area	1.97 acres of unpaved adjacent land for display of historical aircraft	1.97 acres of unpaved adjacent land for display of historical aircraft
Rental Rate for Demised Premises	Five percent of gross revenue or \$5,000 per month for the first two months, \$10,000 per month thereafter	\$10,000 per month for the first two years from the effective date, \$20,145 per month for year three, building fee of \$5,000 per month and land rent commencing in fourth year
Periodic Market Rate Adjustments	N/A	Commencing in fourth year and every five years thereafter, rent to be adjusted to market value
Overflow Parking	If available, 200 additional parking spaces, upon 72-hour notice to LAWA	If available, to be provided in blocks of 50 spaces with a self-parking configuration, upon at least three business days notice to LAWA
Overflow Parking Rate	\$4.00 per vehicle/per space/per day	Provided at a per diem rate for blocks of 50 spaces: \$200 for first four blocks of 50 spaces, \$300 for the fifth block of 50 spaces, \$400 for the sixth block of 50 spaces, thereafter, \$500 for each additional 50-space blocks (Rates subject to CPI adjustments annually)
Lease Guaranty	None	From RTFC's parent company, Specialty Restaurant Corporation, until the Required Minimum Improvements are completed