



January 15, 2015

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

Subject: **APPROVAL OF 20-YEAR LEASE WITH RUNWAY TWO-FIVE CORPORATION AT LOS ANGELES INTERNATIONAL AIRPORT (LAX)**

LAX
LA/Ontario
Van Nuys
City of Los Angeles

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval the 20-Year Lease with Runway Two-Five Corporation for premises at 11022 Aviation Boulevard at LAX.

RECOMMENDATION FOR CITY COUNCIL

Eric Garcetti
Mayor

Board of Airport Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles

Gina Marie Lindsey
Executive Director

1. APPROVE the 20-Year Lease with Runway Two-Five Corporation.
2. CONCUR in the Board's action authorizing the Executive Director to execute the 20-Year Lease with Runway Two-Five Corporation.
3. FIND 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.

The Board of Airport Commissioners, at their meeting held on January 15, 2015, by Resolution No. 25618 approved the attached 20-Year Lease, subject to the approval of your Honorable Body.

There is no fiscal impact to the City's General Fund as a result of this action.

Very truly yours, ,

Sandra J. Miller – Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

SJM:jrc

cc: Trade, Commerce and Tourism Committee
Councilmember LaBonge, E-file
Councilmember Bonin, E-file
Councilmember Buscaino, E-file.
CAO (Airport Analyst), E-file
CLA (Airport Analyst), E-file
City Clerk's Office, E-file





RESOLUTION NO. 25618

LAX
LA/Ontario
Van Nuys
City of Los Angeles

BE IT RESOLVED that the Board of Airport Commissioners approved award of a twenty (20)-year lease to Runway Two-Five Corporation for premises located at 11022 Aviation Boulevard within Los Angeles International Airport, for estimated revenue of \$4,591,320 over the term, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

Eric Garcetti
Mayor
**Board of Airport
Commissioners**

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Executive Director to execute said Lease upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

Sean O. Burton
President
Valeria C. Velasco
Vice President

BE IT FURTHER RESOLVED 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 the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles

BE IT FURTHER RESOLVED that 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.

Gina Marie Lindsey
Executive Director

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I hereby certify that this Resolution No. 25618 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, January 15, 2015.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

Item Number
18

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

pc
Debbie Bowers
Approved by: Ramon Olivares, Director of Leasing and Development

Debbie Bowers
Reviewed by: Debbie Bowers – Deputy Executive Director

J. Timothy J.
City Attorney *1/17*

Gina Marie Lindsey
Gina Marie Lindsey - Executive Director

Meeting Date:

1/15/2015

CAO Review:	<input type="checkbox"/>	Completed
	<input checked="" type="checkbox"/>	Pending
	<input type="checkbox"/>	N/A

Reviewed for	Date	Approval Status	By
Capital Budget	11/06/14	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	11/24/14	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	11/14/14	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	11/20/14	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	SR

SUBJECT: Lease with Runway Two-Five Corporation

Approve a 20-year Lease with Runway Two-Five Corporation for premises located at 11022 Aviation Boulevard at Los Angeles International Airport that will generate approximately \$4,591,320 revenue over the 20-year term.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- 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.
- FIND that the Request for Proposal process used in this competitive award process satisfies the requirements of Administrative Code Section 10.17 and is compatible with the City's interests.
- APPROVE a Lease for the premises located at 11022 Aviation Boulevard as referenced in this report.
- AUTHORIZE the Executive Director to execute the Lease with Runway Two-Five Corporation upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Award a 20-year Lease to Runway Two-Five Corporation (RTFC) for premises located at 11022 Aviation Boulevard for restaurant, banquet and associated facilities.

2. Prior Related Actions

- July 20, 1965 – Board Order AO-1235 (Lease No. LAA-912)
The Board of Airport Commissioners (Board) authorized a 25-year Lease between the City and RTFC for construction and operation of the leasehold located at 11022 Aviation Boulevard at Los Angeles International Airport. The lease commenced on January 1, 1967 and expired on December 31, 1991, remaining on a month-to-month status.
- February 21, 2006 – Board Order No. AO-5000 (Lease No. LAA-8329)
The Board authorized a 5-year Lease between the City and RTFC for the operation of a restaurant facility known as the Proud Bird Restaurant used for restaurant, banquet and meeting facilities. The lease commenced on April 28, 2006 and expired on April 27, 2011, remaining on a month-to-month status.
- January 13, 2014 – Board Order No. AO-25237 (Lease No. LAA-8804)
The Board authorized a thirteen- month Lease between the City and RTFC for the operation of a restaurant facility known as the Proud Bird Restaurant used for restaurant, banquet and meeting facilities. The lease commenced on January 1, 2014 and is due to expire on January 31, 2015.

3. Current Action

On June 20, 2014, staff issued a Request for Proposal (RFP) to initiate the competitive process for leasing Los Angeles World Airports (LAWA) property located at 11022 Aviation Boulevard (Property). The RFP was advertised in local newspapers, business trade journals, Loop Net (a commercial real estate leasing website), and on BAVN (an internet web-site sponsored and maintained by the City of Los Angeles for all contracting opportunities).

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, the use represents a higher and better use of the Property, and such use is in the best long-term interest of LAWA. As required under the RFP, the successful Lessee would be responsible for renovating the Property, financing the improvements with a required minimum investment of \$2.5 million, managing services and operations in a quality manner, and maintaining the Property over the term of the Lease. The RFP provided an initial lease term of 11 years, with options for additional term based on certain requirements, including the option to invest additional capital into the Property, pursuant to the table below, with a total potential maximum term of 31 years:

Required Action	Term	Total Possible Term
Minimum Investment (\$2,500,000)	11 years	11 years
Additional \$1,250,000 investment	+5 years	16 years
Additional \$1,250,000 investment	+5 years	21 years
Relocation of Flight Path Museum, within first 3 years of Term	+10 years	31 years

RTFC was the only respondent to the RFP Process and is the current Lessee of the Property, currently operating as the Proud Bird Restaurant. Consistent with the RFP requirements, RTFC proposes to renovate the Property by bringing the buildings up to current code; replacing the roof; upgrading the Property, including the gift shop; and integrating displays focusing on the Tuskegee Airmen of WWII, as well as other historical aviation displays. Pursuant to the proposed Lease, RTFC will be required to invest \$5,000,000 to the LAWA-owned buildings, excluding trade fixtures and personal equipment, subject to a reduction of lease term for any potential shortfall in Required Investment. In any case, RTFC is required to completely replace the roof within two years. RTFC expects to invest at least \$5,877,192 into the Property. RTFC proposed a two-year construction period and an associated additional year of reduced rent than what was originally envisioned in the RFP, since the restaurant and banquet facility will be closed during this time. To offset this revenue loss to LAWA, staff negotiated a reduction in the allowable term by one year, thereby allowing LAWA to realize the residual value of the improved Property sooner than as contemplated in the RFP.

The table below provides a summary of the proposed Lease:

LEASE SUMMARY WITH RUNWAY TWO-FIVE CORPORATION		
	CURRENT	PROPOSED
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 to Premises, and roof replacement
Flight Path Museum Relocation	None	10 years additional term to be added if RTFC enters into an agreement with the Flight Path Museum to be relocated within 3 years of the effective date
Demised Premises	4.47 acres of off-airport industrial land 52,072 SF. Building	4.47 acres of off-airport industrial land 52,072 SF 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	5% of gross revenue or \$5,000 per month for first two months, \$10,000 per month thereafter	<ul style="list-style-type: none"> - \$10,000 per month for the first 2 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 5 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 3 business days notice to LAWA
Overflow Parking Rate	\$4.00 per vehicle/per space/per day	<p>Provided at a per diem rate for blocks of 50 spaces:</p> <ul style="list-style-type: none"> - \$200 for the 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; <p>Rates subject to CPI adjustments annually</p>
Lease Guaranty	None	From RTFC's parent company, Specialty Restaurant Corporation, until the Required Minimum Improvements are completed

Procurement Process

Administrative Requirements for the RFP and the proposed Lease were determined and provided by the Procurement Division, as well as the posting of the RFP in its entirety on the BAVN web-site. The Procurement Division also made a presentation of the Administrative Requirements of the RFP to all prospective proposers at the Pre-Proposal meeting on July 8, 2014.

Action Requested

Staff requests the Board approve the 20-year Lease and the rental rates with RTFC for the Property located at 11022 Aviation Boulevard at Los Angeles International Airport and authorize the Executive Director to execute the Lease after approval as to form by the City Attorney and approval by the City Council.

Fiscal Impact

Approval of the Lease will generate approximately \$4.6 million in revenue over the 20-year term, not including annual CPI adjustments, 5-year market rate adjustments or additional fees generated by overflow parking.

4. Alternatives Considered

- Take No Action

Staff believes taking no action will ultimately lead to the cessation of operations by the existing tenant, will result in no investment in the facility, and will in the near term reduce LAWA's revenue.

- Change Use of the Property

Without substantial investment the current restaurant and banquet facility use of the Property is not sustainable. In the absence of the proposed Lease, staff would recommend the facility be mothballed until demolished and LAWA establishes alternative uses for the land, such as construction laydown, vehicle storage, or airport support facilities.

APPROPRIATIONS:

No appropriations are required for this item.

STANDARD PROVISIONS:

1. 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 the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This item is 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. Runway Two-Five Corporation will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Small Business Enterprise Program does not apply to Leases.
6. Runway Two-Five Corporation will comply with the provisions of the Affirmative Action Program
7. Runway Two-Five Corporation has been assigned Business Tax Registration Certificate No. 0000786049-0001-7.
8. Runway Two-Five Corporation will comply with the provisions of the Child Support Obligations Ordinance.
9. Runway Two-Five Corporation 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 City Charter Section 1022 (Use of Independent Contractors).
11. Runway Two-Five Corporation has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Runway Two-Five Corporation has been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance.
13. Runway Two-Five Corporation will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Runway Two-Five Corporation has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.