

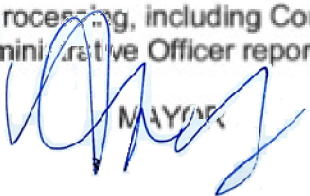
0150-10563-0001

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Department of Airports	DATE 1/12/18	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Request to Execute the First Amendment to a Lease with Gavin De Becker Associates, LP and Consent to Assignment and Assumption of Lease by The Private Suite LAX, LLC for Land at the Los Angeles International Airport To Continue Operations at a Remote Passenger Terminal

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


MAYOR

(Ana Guerrero) for

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 10, 2018

CAO File No. 0150-10563-0001

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Communication from the Department of Airports dated December 13, 2017;
Referred by the Mayor for Report on December 21, 2017

Subject: **FIRST AMENDMENT TO LEASE WITH GAVIN DE BECKER ASSOCIATES, LP AND CONSENT TO ASSIGNMENT OF AND ASSUMPTION OF LEASE BY THE PRIVATE SUITE LAX, LLC FOR LAND AT THE LOS ANGELES INTERNATIONAL AIRPORT TO CONTINUE OPERATIONS AT A REMOTE PASSENGER TERMINAL**

RECOMMENDATIONS

That the Mayor:

1. Approve, subject to City Attorney approval as to form, the proposed First Amendment to Lease LAA-8897 with Gavin De Becker Associates, LP for 43,750 square feet of land at 6871 W. Imperial Highway and Lease LAA-8898 for 20,950 square feet of land at 6875 W. Imperial Highway used to facilitate the operation of a remote passenger terminal at the Los Angeles International Airport (LAX) to (a) consolidate the two leases for adjacent properties under one lease, Lease LAA-8897; and (b) transfer and assign title to and interest in the combined lease to a new, affiliated Lessee "The Private Suite LAX, LLC"; subject to the Lessee's compliance with the City's Standard Provisions for Contracting, including the Living Wage Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, the City's insurance requirements, the Contractor Responsibility Program, Equal Benefits Ordinance, and the First Source Hiring Program for all non-trade LAX Airport jobs;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed First Amendment with Gavin De Becker and the Consent to the Assignment and Assumption of Lease LAA-8897, subject to City Attorney approval as to form; and,
3. Return the First Amendment and Consent to the Assignment and Assumption of Lease LAA-8897 to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

The Chief Executive Officer of the Los Angeles World Airports (LAWA; Department) requests authority to amend an existing 10-year lease—LAA-8897—with current Lessee, Gavin De Becker Associates, LP (Gavin De Becker; Lessee), and approve the assignment to and assumption of the amended lease. The request includes consolidation of a second, related, three-year lease (LAA-8898) into one master lease (LAA-8897) with a newly-created entity The Private Suite LAX, LLC. The estimated annual lease revenue to LAWA for the combined properties is \$3,645,621, exclusive of rental rate adjustments.

The two leases, for a total of 64,700 square feet of land at 6871 and 6875 W. Imperial Highway, are for a privately-operated remote passenger terminal and lounge that began operations in May 2017. The private passenger terminal, physically located south of the Central Terminal Area (CTA), enables the transfer of high visibility passengers to and from their flights without attracting media attention, reduces the level of Airport Police security resources assigned to this category of passenger, and helps to reduce passenger congestion in the CTA.

Leases for the contiguous properties are being consolidated in order to combine and transfer the terminal operating responsibilities from Gavin De Becker to The Private Suite LAX for the purpose of (1) obtaining sufficient operational space to meet the requirements of the Customs and Border Patrol (CBP), Transportation Security Administration (TSA), and Homeland Security; and (2) conforming to the Lessee's original plan to form a dedicated entity, within the Gavin De Becker holding company umbrella, for the sole purpose of operating the remote passenger terminal.

Gavin De Becker was selected in 2015, using a competitive process, to finance, construct (\$3 million is the required minimum investment), and operate a remote passenger terminal at LAX to include CBP services for international passengers and TSA screening services for domestic and international travelers. The ground leases were approved by the Board of Airport Commissioners (Board)—one for three years and 20,950 square feet and one for 10 years and 43,750 square feet—in 2015. Lease LAA-8897, for 10 years, included building improvements and land for operations for Gavin De Becker's original headquarters and passenger services and screening operations. Lease LAA-8898 was for three years for a vacant ramp area to be used as a construction laydown area and for temporary operations while the build-out of the final facility occurred. The remote passenger terminal screening operations and services are now at a point where they require both the additional space provided by combining the two facilities and a continuation of the existing 10-year lease.

The First Amendment and Consent to Assignment and Assumption of Lease are subject to City Attorney approval as to form. The Board approved this item at its meeting of December 14, 2017.

The lease rates are subject to annual rent adjustments based upon the Consumer Price Index with a minimum annual increase of two percent.

FISCAL IMPACT STATEMENT

Approval of the proposed lease amendment with Gavin De Becker Associates, LP and the consent

to assignment and assumption of the amended lease by The Private Suite LAX, LLC for land at 6871 and 6875 W. Imperial Highway to continue operation of a remote passenger terminal at LAX will generate \$3,645,621 in annual lease revenue to LAWA. The proposed lease amendment and consent to assignment of the amended lease for the purpose of transferring the terminal operating responsibility to a subsidiary of Gavin De Becker Associates, LP comply with the Department of Airports' adopted Financial Policies. Approval of the First Amendment and Consent to the Assignment and Assumption of Lease LAA-8897 will have no impact on the Department's Capital Budget or the City's General Fund.

RHL:WDC:10180046