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TRANSMITTAL

TO
Deborah Flint, Executive Director
Department of Airports

DATE
DEC 18 2015

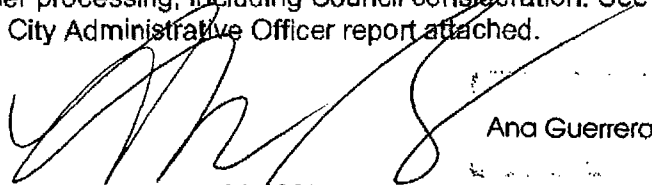
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
11

Request to Execute Lease with Gavin de Becker and Associates LP for Remote Airline Lounge Located at 6851 West Imperial Highway at Los Angeles International Airport

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


Ana Guerrero
MAYOR


MAS:JFH:101600361

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 17, 2015
CAO File No. 0150-10563-0000
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 November 17, 2015; referred by the Mayor for report on November 20, 2015

Subject: **REQUEST TO EXECUTE LEASE WITH GAVIN DE BECKER AND ASSOCIATES, L.P. FOR A REMOTE AIRLINE LOUNGE LOCATED AT 6851 WEST IMPERIAL HIGHWAY AT LOS ANGELES INTERNATIONAL AIRPORT**

SUMMARY

In January 2014, Los Angeles World Airports (LAWA) issued a Request For Lease Offers (RLO) to initiate the competitive bid process for leasing property located at 6851 West Imperial Highway at Los Angeles International Airport (LAX) for use as a remote airport lounge. This type of facility is used to transfer passengers to and from commercial airline flights and is designed to serve passengers such as professional athletes, entertainment industry personnel or government diplomats desiring a more private aircraft boarding process.

Although three proposals were received in response to the RLO, further review of the offers led to a determination that the RLO did not adequately address all components necessary to award a lease. In June 2015, LAWA issued a Request for Bids (RFB) to initiate a second competitive leasing process. Gavin de Becker and Associates, L.P. (Gavin de Becker; Lessee) was the only respondent. Gavin de Becker has worldwide experience providing similar personalized passenger and security services to its clients.

Based on the results of the RFB process, the Executive Director of LAWA requests approval to execute a 10-year lease for the vacant Imperial Highway property by Gavin de Becker for use as a remote airline lounge.

The Department indicates that the proposed Lease (Agreement) requires Gavin de Becker to invest and finance \$3 million in the renovation of the property, operate and manage all services in a quality manner, maintain the property throughout the lease term and obtain all necessary permits from the United States Customs and Border Protection agency (CBP) and Transportation Security Administration (TSA). The Agreement requires the Lessee to make a one-time payment of \$300,000 to LAWA for existing buildings on the site and will generate approximately \$3.4 million annually and \$34.7 million over the 10-year Lease term exclusive of market and Consumer Price Index (CPI) adjustments.

A Resolution approving the proposed Lease with Gavin de Becker was adopted by the LAWA Board of Airport Commissioners (Board) at its meeting of November 19, 2015.

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 Lease as to form. The above-referenced aspects of the proposed Lease, and this report, incorporate revised information received from the Department subsequent to the initial request submittal.

Background of the Proposed Lease and Significant Provisions

On January 10, 2014, LAWA issued an RLO thereby initiating the City's competitive process for the leasing of vacant airport property at 6851 West Imperial Highway for use as a remote airline passenger lounge. The Department indicates that they were approached by several firms regarding the possibility of establishing such a facility at LAX.

A remote passenger lounge is intended to serve celebrities, sports figures, diplomats, government officials or anyone else desiring privacy while in transit by commercial airlines operating out of LAX. While there are several similar passenger lounges at international airports in cities such as Amsterdam, Dubai, the United Arab Emirates, London, Moscow, Paris, Frankfurt and Madrid, the proposed LAX lounge would be the first established in this country.

Under the RLO, three proposals were received on April 3, 2014. However, upon staff review of the submitted offers, it was determined by LAWA that the RLO did not adequately address all of the key components required to award a lease. Therefore, the Department issued a subsequent RFB to initiate a second competitive process on June 5, 2015. Gavin de Becker, a world-wide firm with experience providing this type of personalized airline passenger and security services, was the only firm to submit a bid. Analysis by LAWA indicates that the most likely reason for the single bid is that it incorporated participation by the other two firms responding to the initial RLO.

The Executive Director of LAWA requests approval to execute a 10-year Lease with Gavin de Becker for use of the vacant Imperial Highway property.

The Department indicates that the proposed Lease requires Gavin de Becker to invest \$3 million in capital improvements to the facility which must be completed within 36 months of the effective date of the proposed Lease. The Department further indicates that the Lease will generate approximately \$34.7 million in revenue over the 10-year term, not including annual CPI adjustments or five-year market rate adjustments.

Gavin de Becker must secure the approval from both CBP and the TSA and pay all costs of services required from those agencies. The approval and operation of the remote passenger lounge will not impact these services for other LAX airport passengers.

The proposed Lease also incorporates a provision allowing Gavin de Becker to temporarily establish lounge operations in vacant LAX space pending approval of the proposed 10-year Lease. Such a temporary lease was also approved by the LAWA Board at its meeting held on November 19, 2105 (Item 6).

Significant provisions of the proposed Lease are identified in the attached table.

Alternatives to the Proposed Lease

The following alternatives to the proposed Lease were considered:

- Take no action to Lease the property and building. The Department indicates that such an action is not recommended as the proposed services to be provided by the Lessee will reduce congestion in the Central Terminal Area and without the Lease, LAWA could lose approximately \$34.7 million in revenue over 10 years from a currently unleased property.
- Change the use of the property. The Department states that changing the use of the property would require demolition of the existing buildings and establishment of an alternate use for the land such as for airport support facilities, parking for existing LAWA tenants or use as a construction laydown area. None of these alternate uses would generate substantial revenue to LAWA, especially when compared to the proposed Lease.

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 ("Use of Independent Contractors"). The proposed lease is 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 Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, City insurance requirements, Contractor Responsibility Program, First Source Hiring Program, Bidder Contributions CEC (City Ethics Commission) 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 10-year Lease between Los Angeles World Airports and Gavin de Becker and Associates, L.P. for premises located at 6851 West Imperial Highway 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 Ordinance, 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 Gavin de Becker and Associates LP will generate approximately \$34.7 million in revenue over the 10-year term, not including rental adjustments. The proposed Lease will have no impact on the Department's Capital Budget or 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:10160036

Attachment

GAVIN DE BECKER AND ASSOCIATES, L.P. LEASE 6851 WEST IMPERIAL HIGHWAY AT LAX	
Term	10 years
Effective Date	Upon approval by the Board of Airport Commissioners and the City Council
Expiration Date	10 years from effective date
Required Minimum Investment	\$3 million in capital improvements within 36 months of Lease execution or Lessee is required to pay the difference
Demised Premises	43,750 square feet (SF) of land for operational purposes and 13,840 SF parking area within a 27,680 SF lot that is shared with the adjacent tenant
Payments to LAWA	Land and Parking - \$346,921* annually, based on Board-approved rate for commercial land
	Privilege Fee - \$3,100,000** annually beginning upon initiation of passenger operations or one year after effective date, whichever occurs first
LAWA-Owned Building Acquisition Fee	\$300,000 one-time payment for existing buildings payable within 6 months of effective date
Temporary Premises	Lease allows for temporary operations at another LAX site, if available
* Land and parking payment adjusted annually based on CPI with annual adjustment of not less than two percent (adjustment does not apply for years when payment to LAWA is subject to periodic adjustment to fair market rental rate, which is every five years)	
** Privilege Fee adjusted annually based on CPI with each annual adjustment not less than two percent	