



Agenda item

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Report to the BOARD OF AIRPORT COMMISSIONERS


Approver:


Dave Jones, Deputy Executive Director
Commercial Development GroupSpecial Meeting

11/7/2024

Needs Council Approval: ☒ Y

Reviewer:


Brian C. Ostler, City Attorney

Reviewed for/by	Date	Approval Status	By
Finance	date	<input type="checkbox"/> Y <input type="checkbox"/> NA	Init
CEQA	date	<input type="checkbox"/> Y	Init
Procurement	date	<input type="checkbox"/> Y <input type="checkbox"/> Cond	Init
Guest Experience	date	<input type="checkbox"/> Y	Init
Strategic Planning	date	<input type="checkbox"/> Y	Init


John Ackerman, Chief Executive Officer

SUBJECT

Request to adopt the following report, reconsider and approve the award and execution of a proposed lease for up to 25 years with Bonseph Helinet, LLC, for the potential redevelopment of land and existing facilities at 16231 Waterman Drive at Van Nuys Airport.

DISCUSSION

1. Purpose

In compliance with the proposed settlement with Bonseph Helinet, LLC, and in accordance with the Request for Proposal (RFP) process outlined below, staff requests that the Board of Airport Commissioners reconsider the proposed lease for the potential redevelopment of the property located at 16231 Waterman Drive at Van Nuys Airport (VNY).

2. Prior Related Actions/History of Board Actions

- December 1, 2022, Resolution 27641

The Board of Airport Commissioners (Board) approved the proposed Lease with Bonseph Helinet, LLC for the potential redevelopment of land and existing facilities at 16231 Waterman Drive at VNY (Disapproved by Los Angeles City Council 03/05/2024).

3. Background

Since 1972, the 16231 Waterman Drive property, which consists of 4.22 acres of land and 17,253 square feet of office and hangar space, has supported general aviation activities, including helicopter repair, flight school operations, and hangar and tie-down rentals. During this period, the property has been occupied by the current tenant through a series of consecutive leases. As the existing tenant has occupied the premises since 1972, the City Attorney advised that a competitive process would be required to provide a new lease for the site after 2022. Therefore, LAWA conducted an RFP for this property and selected Bonseph Helinet, LLC as the successful proposer.

On December 1, 2022, the Board recommended approval of a proposed lease for up to 25 years for the potential redevelopment of the parcel at 1631 Waterman Drive at VNY. However, on March 5, 2024, the Los Angeles City Council disapproved the recommendations in the Board Report. Subsequently, Bonseph Helinet, LLC sued the City of Los Angeles in Superior Court in May 2024, and a Part 13 Complaint was filed with the FAA in July 2024.

FAA responded that the City of Los Angeles appears to have violated its Grant Assurances based on its failure to provide leases to aeronautical tenants, specifically in this case Bonseph Helinet LLC, and requested the City of Los Angeles expedite reconsideration of Bonseph Helinet, LLC's proposed lease.

4. Current Action/Rationale

In compliance with the proposed settlement agreement with Bonseph Helinet, LLC staff renegotiated the proposed lease. Approval of the proposed lease is only the first step in the potential redevelopment process and only provides Bonseph Helinet, LLC the property and contractual rights necessary to seek all required approvals of the proposed project.

The proposed lease does not guarantee any redevelopment and will terminate after five years if the proposed project does not receive all required regulatory clearance and approvals, including CEQA. The lease may also be terminated or extended by mutual agreement during this period. If all entitlements for the proposed redevelopment are secured and the property is redeveloped during the first five-year term, the lease will be extended for an additional 20 years.

The Lease does not provide authorization for the potential approval or construction of any of the proposed improvements, prior to compliance with California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA) and all other applicable laws. The City of Los Angeles expressly reserves the right to exercise complete unfettered discretion and to consider and adopt all mitigation measures for any proposed development, and all alternatives, including the "no project" alternative for any proposed development. The proposed improvements are also subject to Board approval.

If compliance with CEQA and all other applicable laws are satisfied, then Bonseph Helinet, LLC, may proceed with securing all the necessary approvals and permits from the appropriate regulatory agencies, including approval from the Federal Aviation Administration due to building height restrictions for parcels located along the VNY airfield, before any construction activities can occur at the site.

Bonseph Helinet, LLC proposes to invest over \$25,000,000 to redevelop the premises to optimize efficient operations through modern and sustainable facilities to support the non-FBO aviation services and the continuation of the helicopter operations. Bonseph Helinet, LLC proposes to construct two new 30,000 SF, state-of-the-art hangars; 15,000 SF of office terminal/shop space; 72,000 SF of renovated ramp areas; and additional related improvements consisting of landscape, hardscape, sidewalk, and parking. The proposed redevelopment project will comply with CALGreen Tier One requirements, which provide the framework for sustainable infrastructure, enhance indoor environmental quality, and optimize operational and maintenance practices. Bonseph Helinet, LLC will use recycled content building materials, high efficiency HVAC systems, install metal walls and enhanced (R13) insulation to attenuate sound.

Bonseph Helinet, LLC will install cool-color roofs and paving to reduce heat island effect, photovoltaic roof system with battery storage, skylights and clerestory windows to minimize lighting requirements, drought tolerant landscaping and low flow plumbing fixtures, and create a physical barrier between airside (e.g., helicopter pads) and the landside (e.g., neighborhood to the south) as the new buildings will be higher than those currently at the site, and will attenuate/contain ramp activity sound on the airfield.

Additional community benefits of Bonseph Helinet LLC lease include:

- Keeps Helinet at VNY Airport as the primary tenant on the site, with new state of the art facilities but same existing uses Helinet supports healthcare providers, fire departments, news media, and entertainment industry.
- Helinet transports patients for Children's Hospital and donates medical transport helicopters, and all associated fuel, insurance, and maintenance at no cost to patients or the hospital.
- Helinet has contracts with major hospitals in Southern California (UCLA, USC, Cedars-Sinai, UCSD, UC Riverside) to transport teams to harvest organs for transplant patients, transporting hundreds of organs per year.
- Will support 100 high-wage, local jobs (with an average annual salary of \$87,000) exceeding living wage requirements
- Retains partnerships with local technical aviation colleges, and the Los Angeles Unified Adult and Career Education Program - Airframe and Powerplant Mechanic's School, to provide internships across different business lines for students seeking careers in aviation.
- Site will continue to be situated away from public streets and surrounded by industrial areas and take-off/landing positions will remain over industrial/commercial areas Bonseph Helinet LLC is not expanding the boundaries of the Site or planning to increase ramp space.

In addition, Bonseph Helinet, LLC will renovate the VNY Observation Area as a community benefit, at a value estimated at \$350,000. Bonseph Helinet, LLC plans to renovate the

existing 6,820 SF Observation Area and realign parking to allow access from Lindbergh Street. This adjustment will nearly triple the parking area from 4,070 SF to 11,465 SF.

As part of the renegotiation, Bonseph Helinet, LLC has agreed to complete full improvements of the VNY Observation Area by the end of Year 1 of the lease. The upfront costs of these improvements will be split 50/50 between Bonseph Helinet, LLC and LAWA. If Bonseph Helinet, LLC is not able to obtain environmental entitlements after commercially reasonable efforts, LAWA will reimburse Bonseph Helinet, LLC for its 50% contribution to improve the VNY Observation Area. If environmental entitlements are received Bonseph Helinet, LLC will reimburse LAWA for its 50% contribution.

Bonseph Helinet, LLC has also agreed to conduct enhanced education and outreach concerning the Proposed Improvements during the environmental entitlement period at a cost no less than \$25,000.

Bonseph Helinet, LLC will pay land and building rent for the existing premises until they are demolished, at which point Bonseph Helinet, LLC will make a one-time buyout payment of \$80,000. Thereafter, Bonseph Helinet, LLC will pay land rent only, including supplemental rent of \$50,000 per year, with annual three percent increases, if the improvements are constructed. Bonseph Helinet, LLC may also temporarily rent an adjacent vacant parcel to support operations during construction if the project is approved. This will provide approximately \$108,021 in additional rent during the construction phase.

5. Selection Process

In July 2021, LAWA released an RFP for the leasing and redevelopment of the site located at 16231 Waterman Drive. Proposers were asked to submit a proposal outlining the proposed redevelopment and the type of general aviation services to be conducted at the site. On August 31, 2021, LAWA issued an addendum to the RFP that extended the due date by 30 days from September 1 to September 30, 2021. Further, on September 24, 2021, LAWA issued another addendum that extended the due date an additional 21 days to October 21, 2021. This addendum also removed the requirement that proposers provide a plan to accommodate existing subtenants and removed any evaluation criteria associated with accommodating existing aviation business on the site.

Evaluation Process

On October 21, 2021, LAWA received a proposal from Bonseph Helinet. The proposal was reviewed by a three-member evaluation panel which found that Bonseph Helinet, LLC is responsive and responsible, that entering into this lease is in the City's best interest.

The existing 50+ year tenant (Air Center) requested and was granted two extensions to the RFP but ultimately did not submit a proposal. Air Center wrote a letter of protest to the Board of Airport Commissioners and the City Attorney reviewed the RFP. The City Attorney determined the RFP process used complied with the requirements of Administrative Code Section 10.17 and all other applicable regulations and law, and is compatible with the City's Interests.

6. Fiscal Impact

Approval of this lease will generate approximately 266,000 in revenue in the first year and approximately \$1,460,000 over the five-year period, excluding periodic rate adjustment. If

Bonseph Helinet, LCC completes the redevelopment within the required timeframe and secures the additional 20-year term, LAWA anticipates collecting approximately \$8,670,000 over the full term, not including periodic rate adjustments.

7. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended as the proposed settlement requires approval of this lease. In addition, the proposed lease provides LAWA with additional revenue as well as a renovated observation deck facility at no cost.

APPROPRIATIONS

No appropriation of funds is required for this action

STANDARD PROVISIONS

The Board is hereby requested to adopt staff's determination that the issuance of permits, leases, agreements, berth 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.

The proposed document(s) is/are subject to approval as to form by the City Attorney.

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.