

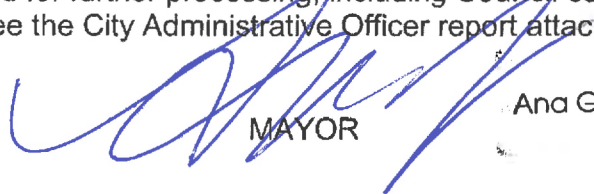
0150-10986-0000

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Department of Airports	DATE AUG 25 2017	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 6	

Request to Approve a First Amendment to Lease VNA-4896 with First City Pacific, Inc. for the 7.0380-Acre Site Utilized for Home Depot Store Parking at Van Nuys Airport to Provide for a Revised Lease Expiration Date and Establishment of Rental Rate Adjustments Due During the Remaining Term of the Lease

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


MAYOR Ana Guerrero

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 23, 2017
To: The Mayor
From: Richard H. Llewellyn Jr., Interim City Administrative Officer
Reference: Communication from the Department of Airports dated July 11, 2017; referred by the Mayor for report on July 19, 2017
Subject: **REQUEST TO APPROVE A FIRST AMENDMENT TO LEASE VNA-4896 WITH FIRST CITY PACIFIC, INC. FOR THE 7.0380-ACRE SITE UTILIZED FOR HOME DEPOT STORE PARKING AT VAN NUYS AIRPORT TO PROVIDE FOR A REVISED LEASE EXPIRATION DATE AND ESTABLISHMENT OF RENTAL RATE ADJUSTMENTS DUE DURING THE REMAINING TERM OF THE LEASE**

RECOMMENDATIONS

That the Mayor:

1. Approve a First Amendment to Lease VNA-4896 with First City Pacific, Inc. for 7.0380 acres of non-airfield land, amending the Lease to terminate on January 31, 2026, and providing the rental rate adjustments specified in the Amendment in lieu of the fair market rental adjustment and producer price adjustment processes set forth in the original Lease, subject to approval by the City Attorney as to form;
2. Authorize the Chief Executive Officer to execute the proposed Amendment; and,
3. Return the Amendment to the Department for further processing, including Council consideration.

SUMMARY

In July 1985, the Board of Airport Commissioners (Board) approved a 40-year Ground Lease (VNA-4896) with First City Pacific, Inc. (FCP) for 7.0380 acres of non-airfield land at Van Nuys Airport, which is utilized by Home Depot for parking. In February 2010 and 2015, the Board approved land rental rates for this ground lease for the periods of February 15, 2010 through February 14, 2015, and February 15, 2015 through February 14, 2020, respectively.

The Chief Executive Officer of the Los Angeles World Airports (LAWA, Department) requests approval to execute a First Amendment to Lease VNA-4896 with FCP to provide for (1) a new expiration date of January 31, 2026; (2) an early termination option; and (3) revised rental rate adjustments during the remainder of the Lease term. The Amendment is the result of litigation and is required in order to comply with the agreed upon terms of a Settlement Agreement concerning the ground lease.

The LAWA indicates that the proposed Amendment modifies Lease VNA-4896 to terminate on January 31, 2026, and provides FCP the option to terminate the Lease on June 30, 2025. The Department further indicates that the proposed Amendment provides that, in lieu of the periodic fair market rental adjustment and producer price index adjustment processes set forth in the Lease, the rental rate adjustment processes set forth in the Amendment will be as established in the Board Report adopted at the July 13, 2017 Board meeting.

The Current Action section of the Board Report concerning the proposed Lease Amendment inadvertently indicates that Lease VNA-4896 is a ground lease for the land upon which the Home Depot store is located. That section of the Board Report also indicates that Lease VNA-7804 is a ground lease for Home Depot parking. These references were inadvertently reversed. The Board Resolution and the Lease Amendment, which are the relevant action items, correctly indicate that VNA-4896 applies to the 7.0380-acre parcel utilized for Home Depot parking.

The revised methodology for determining rental rate adjustments contained in the Amendment will result in approximately \$5,113,609 in gross revenue during the remainder of the Lease term.

FISCAL IMPACT STATEMENT

The Los Angeles World Airports indicates that the proposed First Amendment to Lease VNA-4896 with First City Pacific, Inc. will generate approximately \$5,113,609 in gross revenue over the remaining Lease term. The Department further indicates that the proposed Amendment is the result of litigation and is required in order to comply with the agreed upon terms of a Settlement Agreement concerning the Lease. The Amendment requires no appropriation and will have no impact on the General Fund.

RHL:JFH:10170155