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<th>TO</th>
<th>DATE</th>
<th>COUNCIL FILE NO.</th>
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<tr>
<td>Gina Marie Lindsey, Executive Director</td>
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<td>Department of Airports</td>
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<th>FROM</th>
<th>COUNCIL DISTRICT</th>
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<td>The Mayor</td>
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<tr>
<th>Request to Award a Property Management and Leasing Services Agreement To Colliers International for the Skyview Center at the Los Angeles International Airport</th>
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Transmitted for further processing, including Council consideration. See the City Administrative Officer report attached.

MAYOR

MAS/WDC: 101500931
SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests approval to award a five-year, with two one-year options (for a total of seven years), property management and leasing services agreement to Colliers International (Colliers)—a global commercial real estate management firm—for the Skyview Center property adjacent to the Los Angeles International Airport (LAX). If approved, Colliers will replace the current property manager, Equity Office Properties, who elected to not continue its property management services for this site. Colliers was selected through a competitive process that began in November 2014 and concluded in April 2015.

The estimated property management fees, including costs for Colliers’ on-site management staff, to be paid by LAWA over a seven-year period are $691,400, which is approximately 2.75 percent of the projected total revenue from the Skyview leases. The Department reports that this cost, and the leasing commission structure, are in keeping with similar high-rise management costs and market rates for these services and this location and the least expensive of the four proposals submitted in response to the Department’s Request for Proposal (RFP).

The Skyview Center consists of two commercial office buildings and a parking structure, located at 6033 and 6053 West Century Boulevard, with 407,000 square feet of office space, and a 14.42 acre parking lot located at 6101 and 6151 West 98th Street. The Center was acquired by LAWA upon approval by the Board of Airport Commissioners (Board) in May 2013 with the intent to continue the provision of office space for staff and, in the future, incorporate the site and/or the parking amenities into the LAX Master Plan landside program configuration.

Colliers’ property management and leasing services will include the following:
Serve as LAWA’s leasing manager to locate tenants for available space
Negotiate leases
Select, negotiate, engage, and supervise contracts with third parties for utilities, services, and necessary purchases
Manage capital and/or tenant improvements (for an additional fee), if necessary

The Department’s use of the RFP process and subsequent award of a five-year, with two one-year options, agreement reflects LAWA’s compliance with Section 10.17 of the Los Angeles Administrative Code (“Competitive Proposals Preferred”) for instances where bids are not required by the Charter but where competitive proposals or bids are encouraged when practicable or in the City’s best interests.

The proposed leasing services agreement is tentatively scheduled for consideration by the Board at its meeting of June 4, 2015.

The above-referenced aspects of the proposed award to Colliers International, and this report, incorporate revised information received from the Department subsequent to the initial request submittal. Pursuant to Charter Section 373 and the Los Angeles Administrative Code Section 10.5, the proposed property management and leasing services agreement, in that the cumulative period is longer than five years, must be approved by the Council. Additionally, to become effective, the City Attorney must approve the agreement as to form.

Background

At the time LAWA purchased the Skyview Center, it was decided to leave the current property managers, Equity Office Properties, and leases in place in order to minimize disruption resulting from the new ownership. In 2014, the Department released a Request for Qualifications followed by a Request for Proposal in 2015 in order to obtain the services of a new property manager and leasing agent. As such, proposals were due on April 7, 2015, with subsequent interviews conducted on April 29 and 30, 2015.

As part of the selection process, four proposals were received and ranked by a four-member in-house evaluation committee as follows:

1. Colliers International
2. Cushman and Wakefield
3. Charles Dunn Real Estate Services, Inc.
4. CBRE Group

The Department advises that there were no protests from the firms that were not selected

In addition to the overall not-to-exceed property management fee of $691,400 (approximately $93,000 annually for seven years adjusted for the Consumer Price Index), LAWA will pay for on-site personnel, costs for managing either capital or tenant improvement projects (calculated as a percentage of a project’s total hard and soft costs), and leasing commissions based on market rates approved by the Board.
Alternatives to the Proposed Agreement

Since the current property manager has elected not to extend its current contract or participate in the RFP process, there are no viable alternatives to awarding the proposed property management and leasing services agreement. Without a commercial property manager, LAWA has determined that the Skyview Center would be less competitive in the LAX/Century Corridor office market with the possibility that the property’s future sale value could be diminished.

Compliance with California Environmental Quality Act (CEQA) Guidelines

Issuance of permits, leases, agreements...and renewals, amendments or extensions thereof...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 provisions of the California Environmental Quality Act pursuant to Los Angeles City CEQA Guidelines, Article III, Class 1 (18)(c).

Compliance with City Administrative Requirements

A Charter Section 1022 determination by Department staff found that these services can be more feasibly and economically provided by an independent contractor rather than by City employees. With respect to the Small Business Enterprise requirements, the Department’s Procurement Services Division established a 10 percent participation goal for this agreement. Colliers has committed to meeting the 10 percent participation requirement.

Colliers International has been assigned a Business Tax Registration Certificate number and must have approved insurance documents on file with the Department, in the terms and amounts requested, prior to execution of the contract.

In accordance with the proposed agreement, Colliers is required to comply with the following standard City contracting provisions: Living Wage Ordinance, Service Contractor Worker Retention Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, the Contractor Responsibility Program, and the First Source Hiring Program for all non-trade LAX airport jobs.

Colliers is subject to the provisions of the Bidder Contributions, City Ethics Commission (CEC) Form 55 pertaining to the City’s contract bidder campaign contribution and fundraising restrictions (Charter Section 470 (c)(12)) that became effective in April 2011. In addition, staff from the Department of Public Works, Office of Contract Compliance, must determine that Colliers is in full compliance with the provisions of the Equal Benefits Ordinance prior to execution of the agreement.

To become effective, the proposed lease agreement must be approved as to form by the City Attorney. Pursuant to Charter Section 373, the agreement, being that it is for a period longer than five years, must be approved by the Council.
RECOMMENDATIONS

That the Mayor:

1. Approve the proposed Property Management and Leasing Services Agreement with Colliers International for five years with two additional one-year renewal options for a not-to-exceed property management fee of $691,400 over seven years for the Skyview Center adjacent to the Los Angeles International Airport, subject to City Attorney approval as to form, a determination by the Department of Public Works of compliance with the provisions of the Equal Benefits Ordinance, and compliance with the following standard City contracting provisions: Living Wage/Service Contractor Worker Retention Ordinances, Affirmative Action Program; Child Support Obligations Ordinance; the Contractor Responsibility Program; the First Source Hiring Program for all non-trade LAX airport jobs; and the CEC Form 55 contract bidder campaign contribution and fundraising restrictions; and

2. Return the proposed Property Management and Leasing Services Agreement to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed agreement will have no impact on the General Fund. Operating expenses for the management and leasing of the Skyview Center, averaging $93,000 annually, exclusive of fees for managing any capital or tenant improvement projects and leasing commissions, will come from (1) the annual budget process and (2) fees derived from specific capital appropriations and leases. The agreement complies with the Department of Airports adopted Financial Policies.

Time Limit for Council Action

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," the proposed lease agreement must be approved by the Council before it can become effective. Unless the Council takes action disapproving an agreement that is longer than three years within 60 days after submission to Council, the agreement will be deemed approved.