

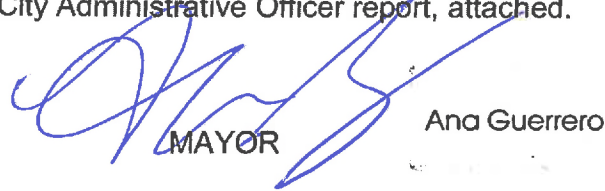
0150-09810-0002

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Department of Airports	DATE MAR 17 2017	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Proposed Second Amendment to Billboard Lease with
Regency Outdoor Advertising, Inc. to Provide a Direct Lease with the
and Revise Term, Rent and Other Provisions at Los Angeles International Airport**

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


MAYOR Ana Guerrero

RHL:AVM:1017113t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 16, 2017

CAO File No. 0150-09810-0002

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 February 14, 2017; referred by the Mayor for a report on February 14, 2017

Subject: **PROPOSED SECOND AMENDMENT TO BILLBOARD LEASE WITH REGENCY OUTDOOR ADVERTISING, INC. TO PROVIDE A DIRECT LEASE AND REVISE TERM, RENT AND OTHER PROVISIONS AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve a second amendment (Amendment) to a billboard lease with Regency Outdoor Advertising, Inc., (Regency) to provide a direct lease with the Department of Airports (Department) for six advertising billboards and revise the term, rent and other provisions, subject to City Attorney approval as to form. Prior to execution of the proposed Amendment, Regency must have approved insurance documents on file with the Department, in the terms and amounts required. Regency will comply with the City's Standard Provisions for: Affirmative Action Program; Bidder Contributions City Ethics Commission Form 55; Child Support Obligations Ordinance; Contractor Responsibility Program; Equal Benefits Ordinance; First Source Hiring Program for all non-trade Los Angeles International Airport jobs; and, Living Wage Ordinance;
2. Authorize the Chief Executive Officer to execute the proposed Amendment; and,
3. Return the request to the Department of Airports for further processing, including Council consideration.

SUMMARY

In June 2009, the Board of Airport Commissioners (BOAC) approved an Agreement of Purchase and Sale and Escrow Instructions for approximately 19.77 acres of commercial real estate property, adjacent to the Los Angeles International Airport (LAX), east of Terminal 1. Currently

the property is leased to PNF-LAX, Inc. (PNF), a firm which operates Park 'N Fly parking services on the site. The company also has a 25-year sublease on the property with Regency Outdoor Advertising, Inc. (Regency), having an expiration date of November 24, 2016, to maintain six advertising billboards, with footings, and the lease generates approximately \$1,000,000 in annual revenue from base and percentage rents. Last year, during a meeting on October 20, 2016, the BOAC approved a first amendment to the PNF lease that, among other revisions, provided an option to delete the Regency sublease from PNF's control and assign the Regency agreement to the Department for direct control of the subleased activities on the site.

Staff notes that implementing the option is beneficial since the Airports Department is in the midst of ongoing capital improvement projects and planning for future projects, to gain more flexibility for the uses of Department properties will be helpful. Approval of the proposed Amendment will assist the Department (1) to identify property that could be readily available to fulfill various uses, such as logistical needs for capital improvement projects, (2) to alleviate situations which may lead to termination of the billboard lease, and (3) to maintain a revenue flow from, and an agreement with, Regency. Some proposed Amendment provisions are summarized as follows:

- Regency Amendment lease term dates are March 1, 2017 to September 28, 2026
- A new Termination section, effective January 1, 2020, will permit the Department to reduce the premises (leasehold) on multiple occasions, or terminate the lease
- The Base Rent will increase to \$1,002,000 annually and the Percentage Rent will increase to 42.5 percent of gross revenues collected yearly, exceeding the annual rent amount
- A market rent adjustment will occur every five years, and
- All City and Department standard administrative lease requirements will be included in the document

The proposed Amendment was reviewed by outside counsel that handles billboard issues and the proposed action complies with City regulations, according to City Attorney staff. The BOAC approved the proposed second Amendment at its meeting on February 16, 2017.

FISCAL IMPACT STATEMENT

Approval of the proposed second amendment between the Department of Airports (Department) and Regency Outdoor Advertising, Inc. will have no impact on the General Fund. Approval of the proposed Amendment will be a revenue neutral action, excluding any percentage rent. The anticipated annual revenue of approximately \$1,000,000, generated through this billboard lease for the Department, will be reduced by approximately an equal revenue amount from the Park 'N Fly lease. According to Department staff, there is a potential for increased revenue from Regency to the Department based upon a restructuring of the percentage rent calculation. The contract complies with the Department of Airports' adopted Financial Policies.

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