



RESOLUTION NO. 26176

**LAX**  
**Van Nuys**  
**City of Los Angeles**

Eric Garcetti  
Mayor

**Board of Airport  
Commissioners**

Sean O. Burton  
President

Valeria C. Velasco  
Vice President

Jeffery J. Daar  
Gabriel L. Eshaghian  
Beatrice C. Hsu  
Thomas S. Sayles  
Dr. Cynthia A. Telles

Deborah Flint  
Chief Executive Officer

BE IT RESOLVED that the Board of Airport Commissioners approved a Second Amendment to Lease with Regency Outdoor Advertising, Inc. to revise the term and rental rates covering billboard leaseholds at Los Angeles International Airport, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Chief Executive Officer to execute said Second Amendment upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

BE IT FURTHER RESOLVED that this action is being taken pursuant to Charter Section 371(e)(10) because competitive bidding would be undesirable, impracticable or impossible; and

BE IT FURTHER RESOLVED that the issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that 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.

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I hereby certify that this Resolution No. 26176 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, February 16, 2017.

Sandra J. Miller – Secretary  
BOARD OF AIRPORT COMMISSIONERS



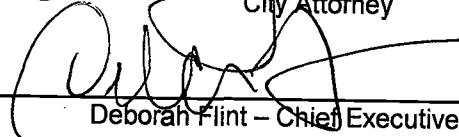


# REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

  
Approved by: Ramon Olivares, Director of Property Services

  
Reviewed by: Debbie Bowers, Deputy Executive Director

  
City Attorney

  
Deborah Flint – Chief Executive Officer

Meeting Date:

2/16/2017

CAO Review:

- Completed
- Pending
- N/A

Reviewed for	Date	Approval Status	By
Finance	2/9/17	<input checked="" type="checkbox"/> Y <input checked="" type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	2/3/17	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	NM
Procurement	2/8/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	2/8/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

**SUBJECT: Approval of the Second Amendment with Regency Outdoor Advertising at Los Angeles International Airport**

Approve the Second Amendment with Regency Outdoor Advertising, Inc. to amend the term and rental rate at Los Angeles International Airport.

**RECOMMENDATIONS:**

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the Second Amendment with Regency Outdoor Advertising as referenced in this report.
4. FIND that this action is being taken pursuant to Charter Section 371 (e)(10) because competitive bidding would be undesirable, impracticable or impossible.

5. AUTHORIZE the Chief Executive Officer to execute the Second Amendment with Regency Outdoor Advertising, Inc., after approval as to form by the City Attorney and approval by the Los Angeles City Council.

## **DISCUSSION:**

### **1. Purpose**

To allow Los Angeles World Airports (LAWA) to have greater control over the premises used by Regency Outdoor Advertising, Inc. (Regency) and, thereby, provide LAWA flexibility to plan and phase improvements at Los Angeles International Airport (LAX).

### **2. Prior Related Actions**

- June 22, 2009 – Board Order No. AO-5129  
The Board of Airport Commissioners (Board) approved the Purchase and Sale Agreement and Escrow Instructions for commercial real property located at 6351 West Century Boulevard. In conjunction with the property acquisition, LAWA assumed the lease with PNF-LAX, Inc. (PNF) which operates the Park N' Fly parking services at the site and which includes a sublease with Regency for six advertising billboards within the PNF premises.
- October 20, 2016 – Board Order No. 26090  
The Board approved the Amended and Restated Lease with PNF-LAX to allow LAWA the ability to take back premises in the Park One parking lot leased by PNF, providing LAWA flexibility to plan and phase improvements at LAX. The Amended and Restated Lease also provided LAWA the option to delete the Regency sublease from PNF's premises, and assign the sublease, as amended, to LAWA.

### **3. Current Action**

Pursuant to the Amended and Restated Lease with PNF, on January 31, 2017, LAWA staff notified PNF that LAWA would exercise its option to delete the Regency sublease from the PNF Lease, resulting in a direct lease, as amended, between LAWA and Regency, effective March 1, 2017. In order to benefit from the terms favorable to LAWA as quickly as possible, staff requests the Board approve the proposed Second Amendment to the Regency Lease in advance of the March 1 assignment date; final approval of the Second Amendment is subject to City Council approval.

The proposed Second Amendment will increase LAWA's flexibility to plan and phase future improvement projects on the premises and avoid scenarios that may require wholesale termination of the Regency Lease. The proposed Second Amendment gives LAWA options to reduce the Regency premises, while still providing revenue to LAWA.

Additionally, the proposed Second Amendment will:

- Provide for a market rent adjustment every five years, and
- Include all standard LAWA and Los Angeles City administrative requirements for leases.

The following table summarizes the proposed Second Amendment\*:

	<b>CURRENT LEASE</b>	<b>PROPOSED SECOND AMENDMENT</b>
Effective Date	July 5, 1991	March 1, 2017
Expiration Date	November 24, 2016	September 28, 2026
Premises	6 billboards, with footings	6 billboards, with footings
LAWA Termination Option	None	Effective January 1, 2020, upon a 90-day written notice, if LAWA determines premises are needed for airport uses, LAWA can terminate the lease or reduce the premises on multiple occasions for the remainder of the term until all premises are removed.
Base Rent	\$50,000 per month \$600,000 annually	\$83,500 per month* \$1,002,000 annually*
Percentage Rent	33.33% of gross revenues collected annually, exceeding annual base rent	42.5% of gross revenues collected annually, exceeding annual base rent
Faithful Performance Guarantee	\$125,000	\$250,500 or equivalent to 3 times monthly base rent
Market Rent Adjustment	Upon any term extension options	Every five years, commencing the fifth year of the effective date

\* The proposed Base Rent represents the current Base Rent plus the average percentage rent for the past two years.

***Action Requested***

Staff requests the Board approve the proposed Second Amendment and authorize the Chief Executive Officer to execute the Second Amendment after approval as to form by the by the City Attorney and approval by the Los Angeles City Council.

***Fiscal Impact***

Although approval of this item will generate approximately \$1,000,000 in annual revenue directly to LAWA from Regency, the Park 'n Fly lease annual revenue will be reduced by approximately the same amount, resulting in a revenue neutral action, excluding any percentage rent. Due to the restructuring of the percentage rent calculation, there is a potential for increased revenue from Regency to LAWA.

#### **4. Alternatives Considered**

- ***Take No Action***

This action is not recommended. Approval of the Second Amendment allows for flexibility by LAWA to have control of land areas that may be needed for future development projects, while still allowing for revenue generation to LAWA.

#### **APPROPRIATIONS:**

Staff does not request an appropriations of funds at this time.

#### **STANDARD PROVISIONS:**

1. The issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This item is subject to approval as to form by the City Attorney.
3. 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.
4. Regency Outdoor Advertising, Inc. is required by contract to comply with the provisions of the Living Wage Ordinance.
5. The Small Business Enterprise Program does not apply to leases.
6. Regency Outdoor Advertising, Inc. is required by contract to comply with the provisions of the Affirmative Action Program.
7. Regency Outdoor Advertising, Inc. has been assigned Business Tax Registration Certificate number 0000276645-0001-4.
8. Regency Outdoor Advertising, Inc. is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Regency Outdoor Advertising, Inc. will have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to execution of the lease amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Regency Outdoor Advertising, Inc. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.

12. Regency Outdoor Advertising, Inc. has been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance.
13. Regency Outdoor Advertising, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. Regency Outdoor Advertising, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.