

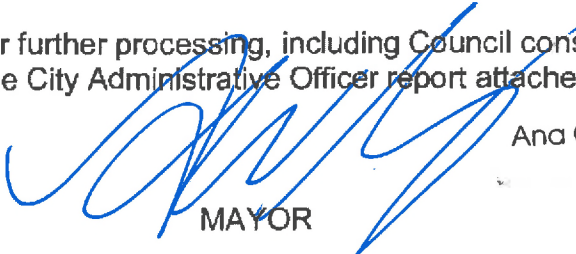
0150-07875-0001

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Los Angeles World Airports	DATE SEP 18 2018	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Proposed First Amendment to Lease LAA-8781 with United Parcel Services, Inc. to
 Extend the Term for the Cargo Facility at 6041 West Imperial Highway,
 Los Angeles International Airport**

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



Ana Guerrero
 MAYOR

RHL:AVM:10190026f

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 12, 2018

CAO File No. 0150-07875-0001

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Department of Airports dated August 13, 2018, referred by the Mayor for a report on August 13, 2018

Subject: **PROPOSED FIRST AMENDMENT TO LEASE LAA-8781 WITH UNITED PARCEL SERVICE, INC. TO EXTEND THE TERM FOR THE CARGO FACILITY AT 6041 WEST IMPERIAL HIGHWAY, LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve a proposed First Amendment to Lease LAA-8781 with United Parcel Services, Inc., to extend the agreement term for two more years, with additional two one-year options, to continue cargo processing services at 6041 West Imperial Highway, at Los Angeles International Airport.
2. Authorize the Chief Executive Officer to execute the First Amendment to Lease LAA-8781 subject to United Parcel Services, Inc. being determined by the Public Works Department, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance, and, subject to approval as to form by the City Attorney.
3. Determine the action is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles CEQA Guidelines.
4. Return the request to the Department of Airports for further processing, including Council consideration.

SUMMARY

Background

On August 20, 2013, the Board of Airport Commissioners (BOAC) approved a five-year Lease agreement between Los Angeles World Airports (LAWA, Department) and the United Parcel Service, Inc. (UPS). As an integrated cargo operator, UPS coordinates and handles cargo trucking and air transport from point-to-point destinations. The Lease LAA-8781 (Lease)

agreement is for a cargo facility located at 6401 West Imperial Highway, known as Air Freight 4 building, at Los Angeles International Airport (LAX). Through the Lease, UPS has use of 47,895 square feet (SF) of cargo land area, 13,795 SF of warehouse and office space, 24,256 SF of auto paving and 9,844 SF of aircraft paving from which it operates cargo processing services at LAX. Approximately \$2,102,062 in revenue has been generated through the Lease, to date.

	2013	2014	2015	2016	2017	2018	TOTAL
Duration	Sept.-Dec.	Jan.-Dec	Jan-Dec.	Jan.-Dec.	Jan-Dec	Jan.-Sept.	
Revenue	\$132,059	\$399,459	\$406,134	\$414,278	\$423,931	\$326,201	\$2,102,062

Proposed First Amendment to Lease LAA-8781

Approval of the proposed First Amendment will extend the agreement term for two more years to continue UPS cargo processing services at LAX. The First Amendment also includes two one-year options that may be implemented at LAWA’s discretion. Staff explains that through the options provision, LAWA has the flexibility to secure the property for other uses in conjunction with possible area redevelopment in the future. The term of the original Lease expired September 5, 2018.

Department staff projects an increase in revenue of approximately \$19,589 annually, during the extension term, based upon anticipated current revenue of \$445,790 (as noted in the BOAC report). The proposed Amendment continues a Lease provision for an annual rate adjustment, when applicable, based on the Consumer Price Index with a minimum two percent increase. Consequently, standard BOAC-approved rental rates for cargo land, building (warehouse and offices), and auto and aircraft paving areas are higher in the proposed First Amendment than in the original Lease. In addition, the Leasehold property area as well as the Lease cancellation provision of 90-days advanced notice, by either party, remains unchanged in the Amendment.

The BOAC approved the proposed First Amendment at its meeting on August 16, 2018.

FISCAL IMPACT STATEMENT

Approval of the proposed First Amendment to Lease LAA-8781 between the Department of Airports (Department) and United Parcel Services, Inc. complies with Department adopted Financial Policies and will have no impact on the City’s General Fund. The approval will extend the Agreement term by an additional two years, for a total of seven years, to continue cargo processing services at 6041 West Imperial Highway, at Los Angeles International Airport. It is anticipated that the First Amendment will generate approximately \$930,758 in revenue, exclusive of adjustments, during the two-year extension period.