



REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Ramon Olivares

Approved by: Ramon Olivares - Director, Property Services

Reviewed by: Jeffrey Utterback, Deputy Executive Director,
Commercial Development Division

D. Dy

City Attorney

Justin Erbacci – Chief Executive Officer

Meeting Date:

3/4/2021

CAO Review:

- Completed
- Pending
- N/A

Reviewed for	Date	Approval Status	By
Finance	2/18/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	CI
CEQA	2/17/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	2/18/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	QM
Guest Experience	2/18/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	2/16/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC

SUBJECT: Approval of Fourth Amendment to Lease LAA-8388 with Mercury Air Cargo, Inc. for a cargo facility at Los Angeles International Airport

Approve the proposed Fourth Amendment to Lease LAA-8388 with Mercury Air Cargo, Inc., at 6040 Avion Drive, to extend the lease term and add a truck staging area to the premises. This will generate approximately \$9,616,116 in revenue over the extension period, with a possible \$19,232,232 in total revenue if the two extension options are exercised.

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 Fourth Amendment to Lease LAA-8388 with Mercury Air Cargo and building rental rate, as referenced in this report.
4. AUTHORIZE the Chief Executive Officer to execute the Fourth Amendment to Lease LAA-8388, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

To allow Mercury Air Cargo, Inc. to continue providing cargo handling services to its airline clients at Los Angeles International Airport.

2. Prior Related Actions

- **January 22, 2007 – Board Order No. AO-5048 (LAA-8388)**
The Board of Airport Commissioners approved a five-year Lease with Mercury for property located at 6040 Avion Drive at Los Angeles International Airport.
- **January 23, 2012 – Board Resolution No. 24695 (LAA-8388A)**
The Board of Airport Commissioners approved the First Amendment to Mercury's Lease to extend the term to September 30, 2021.
- **December 14, 2017 – Board Resolution No. 26391 (LAA-8388B)**
The Board of Airport Commissioners approved the Second Amendment to Mercury's Lease to reduce certain premises, effective December 1, 2018.
- **November 1, 2018 – Board Resolution No. 26636 (LAA-8388C)**
The Board of Airport Commissioners approved the Third Amendment to Mercury's Lease to extend the space reduction, effective date from December 1, 2018, to February 1, 2019.

3. Current Action

Mercury Air Cargo, Inc., a long-time cargo handler at Los Angeles International Airport, occupies a cargo facility located at 6040 Avion Drive under Lease LAA-8388. The Lease expires on September 30, 2021. The facility is in the footprint of the proposed Terminal 9 project. To provide Los Angeles World Airports with flexibility associated with the development of Terminal 9, Commercial Development Division proposes to amend the Lease to extend the lease term by two years and to include two one-year extension options. The term extension will minimize any disruption to Mercury Air Cargo, Inc.'s operations and airline clients.

Mercury Air Cargo, Inc. uses the facility to process cargo for multiple international airlines. Mercury Air Cargo, Inc. is one of several cargo handlers at Los Angeles International Airport. and processed approximately 164,318 tons of cargo through the facility in 2019, and 146,891 tons in 2020. Mercury Air Cargo, Inc. also currently occupies four other cargo facilities and handles approximately 16% of all cargo at Los Angeles International Airport. Its facilities are operating at maximum capacity based on current industry throughput standards.

In addition to the term extension, the proposed Fourth Amendment also expands the existing land area to include a truck staging area, and includes a periodic adjustment of the building rental rate to \$22.25 per square foot per year. The rate is comparable to rates for similar facilities at Los Angeles International Airport.

The table below provides a summary of the proposed Amendment:

<u>SUMMARY</u>		
	Current	Proposed
Term:	Extended to September 30, 2021, as per Board Resolution 24695	Extend by 2 years with two 1-year extension options at LAWA's discretion
Expiration:	September 30, 2021	September 30, 2023
Cancellation Provision:	30-day by either party	180-day by either party
DEMISED PREMISES:	Warehouse/Office – 171,787 square feet Land – 247,320 square feet Auto Paving – 103,103 square feet	No Change Land – 259,359 square feet Auto Paving – 115,142 square feet
Building Rate:	\$21.22/SF/Year	\$22.25/ square foot /Year*
Land (Cargo) Rate**:	\$3.61/SF/Year	No Change
Auto Paving Rate**:	\$ 0.43/SF/Year	No Change
Monthly Rent:	\$381,873.30	\$400,671.48
Annual Adjustment:	Based on the Consumer Price Index.	Annual adjustment to be 3%
*Effective October 1, 2021		
**Board-approved land and paving rates apply.		

How this action advances a specific strategic plan goal and objective

This action advances this strategic goal and objective: Sustain a Strong Business: Diversify and grow revenue sources, and manage costs through a continued revenue stream and the optimal use of Los Angeles International Airport property.

Action Requested

Staff requests the Board of Airport Commissioners approve the proposed Fourth Amendment to Lease LAA-8388 with Mercury Air Cargo, Inc., and authorize the Chief Executive Officer to execute the Lease Amendment, after approval as to form by the City Attorney and approval by the Los Angeles City Council.

Fiscal Impact

Approval of this item will result in rental revenue of approximately \$9,616,116 to Los Angeles World Airports over the extension period, with a possible \$19,232,232 in total revenue if the two extension options are exercised.

4. Alternatives Considered

- ***Take No Action***

Taking no action is not recommended as it would (1) result in lost revenue to Los Angeles World Airports, (2) cause the building to be vacant and fall into disrepair, and (3) disrupt services provided by Mercury Air Cargo, Inc. to its airline clients.

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 California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This proposed document(s) is/are 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. Mercury Air Cargo, Inc. will comply with the provisions of the Living Wage/Worker Retention Ordinances.
5. This action is not subject to the provisions of the Small Business Enterprise, Local Business Enterprise/Local Small Business Enterprise, and Disabled Veterans Business Enterprise Programs.
6. Mercury Air Cargo, Inc. will comply with the provisions of the Affirmative Action Program.
7. Mercury Air Cargo, Inc. has been assigned Business Tax Registration Certificate No. 0000707543.
8. Mercury Air Cargo, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Mercury Air Cargo, Inc. must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to the execution of lease amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Mercury Air Cargo, Inc. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.

12. Mercury Air Cargo, Inc. must be determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance prior to the execution of the lease amendment.
13. Mercury Air Cargo, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. Mercury Air Cargo, Inc. has submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with the provisions.
16. This action is not subject to the provisions of the Iran Contracting Ac of 2010.

Site Map



Location Map

