



Los Angeles World Airports

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Item Number
11

Ramon Olivares

Approved by: Ramon Olivares, Director, Property Services

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

D. Dy

City Attorney

Justin Erbacci, Chief Executive Officer

Meeting Date:

1/7/2021

CAO Review:

- Completed
- Pending
- N/A

Reviewed for	Date	Approval Status	By
Finance	12/22/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	CI
CEQA	12/22/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	12/21/2020	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	QM
Guest Experience	12/23/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	12/23/2020	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA	KC

SUBJECT: Approval of the First Amendment to Lease No. LAA-8903 with Qantas Airways, Ltd. at Los Angeles International Airport

Approve the First Amendment to Lease No. LAA-8903 with Qantas Airways, Ltd. to extend the term by 52 months and approve a new building rental rate for the facility located at 6555 West Imperial Highway, Los Angeles International Airport, yielding approximately \$2,192,204 in annual revenue and approximately \$9,499,551 over the 52-month term extension.

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 First Amendment and associated building rental rate for Lease No. LAA-8903 with Qantas Airways, Ltd.
4. AUTHORIZE the Chief Executive Officer to execute the First Amendment to Lease No. LAA-8903 with Qantas Airways, Ltd. upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

To allow Qantas Airways, Ltd. (Qantas) to continue its cargo operations at Los Angeles International Airport (LAX).

2. Prior Related Actions

- August 5, 1994, Board Order No. AO-4442 (Lease No. LAA-7447).
The Board of Airport Commissioners (Board) approved a twenty-year Lease with Qantas for the property located at 6555 West Imperial Highway, commencing January 8, 1996 and expiring January 7, 2016.
- January 14, 2016 – Board Resolution No. 25864 (Lease No. LAA-8903).
The Board approved a five-year Lease with Qantas for the property located at 6555 West Imperial Highway.

3. Current Action

Qantas has operated a cargo business at 6555 West Imperial Highway since 1996. The facility consists of 166,643 square feet (SF) of land and a 58,743 SF cargo building. There are two common-use Los Angeles World Airports (LAWA)-controlled aircraft parking positions directly adjacent to the site. Qantas processed approximately 65,188 tons of cargo in 2019, which reflects above average utilization of the facility. Qantas is a tenant in good standing and maintains the facility to a high standard.

The 52-month term coincides with the expiration of the adjacent Nippon Cargo Airlines Co., Ltd. cargo Lease, which was approved by the Board on April 16, 2020. This common expiration date provides LAWA with flexibility for future planning purposes. The proposed building rental rate of \$23.00 per square foot per year (PSFPY) has been agreed to by Qantas, and is in line with other LAX cargo facilities of similar characteristics.

The following table reflects key elements of the proposed First Amendment:

	CURRENT	PROPOSED
Commencement Date	January 8, 2016	No change
Expiration Date	January 7, 2021	May 7, 2025
Cancellation	By LAWA with 180-day notice.	Either party with 180-day notice
Rental Rates	Land (Cargo): \$3.61 PSFPY Automobile Paving: \$0.43 PSFPY Aircraft Paving: \$0.85 PSFPY Building: \$20.49 PSFPY <u>Total:</u> \$ 155,409 monthly rent \$ 1,864,912 annual rent	Land (Cargo): New rate pending Automobile Paving: No Change Aircraft Paving: No Change Building: \$23.00 PSFPY <u>Total:</u> \$ 182,684 monthly rent \$ 2,192,204 annual rent
Land Area	166,643 SF	No Change
Building Area	58,743 SF	No Change
Automobile Paving Area	81,051 SF	No Change
Aircraft Paving Area	27,107 Square Feet	No Change
Annual Rent Adjustment	Per CPI, July 1 of every year in which there is not a Periodic Adjustment to market rent.	3.0% per year, July 1 of every year in which there is not a Periodic Rate Adjustment.
Periodic Rental Rate Adjustment to Fair Market Rent	Land: July 1, 2020, and every five years thereafter; Improvements: January 8, 2021 and every five years thereafter; Paving: Per Board-assigned dates.	Land: No Change Improvements: No Change Paving: No Change

4. Action Requested

Staff requests the Board approve the First Amendment to Lease No. LAA-8903 with Qantas and authorize the Chief Executive Officer to execute the Amendment after approval as to form by the City Attorney and approval by the Los Angeles City Council.

5. Fiscal Impact

Approval of this item will result in rental revenue of \$9,499,551, exclusive of annual and periodic rental rate adjustments, to LAWA over the 52-month term extension.

6. Alternatives Considered

- **Take No Action**

Taking no action is not recommended. Approval of the proposed Lease Amendment will enable Qantas to continue its cargo operations at LAX.

APPROPRIATIONS:

No appropriation of funds is required for this action.

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 agreement will be approved 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. Qantas will comply with the provisions of the Living Wage Ordinance.
5. The Small Business Enterprise Program does not apply to leases.
6. Qantas will comply with the provisions of the Affirmative Action Program.
7. Qantas has been assigned Business Tax Registration Certificate No. 0002108861 -0002 -1.
8. Qantas will comply with the provisions of the Child Support Obligations Ordinance.
9. Qantas must 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. Qantas must submit the Contractor Responsibility Program Questionnaire and Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program prior to execution of the lease amendment.

12. Qantas must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the lease amendment.
13. Qantas 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 the Bidder Contributions CEC Form 55.
15. Qantas must submit and comply with the Iran Contracting Act of 2010 prior to execution of the lease agreement.

LAX Area Map:



Site Map:

