

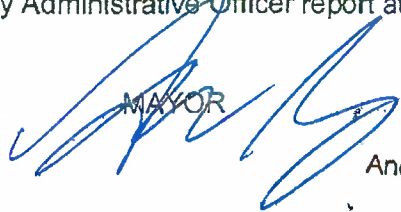
0150-10599-0001

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Department of Airports	DATE MAR 21 2017	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 6	

Request to Approve a Second Amendment to the Lease with Western Jet Aviation, Inc. for an Aircraft Hangar and Adjacent Land at 16101 Saticoy Street at Van Nuys Airport

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



MAYOR

Ana Guerrero

RHL:JFH:10170112t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 20, 2017
To: The Mayor
From: Richard H. Llewellyn Jr., Interim City Administrative Officer
Reference: Communication from the Department of Airports dated February 28, 2017; referred by the Mayor for report on February 28, 2017
Subject: **REQUEST TO APPROVE A SECOND AMENDMENT TO THE LEASE WITH WESTERN JET AVIATION, INC. FOR AN AIRCRAFT HANGAR AND ADJACENT LAND AT 16101 SATICOY STREET AT VAN NUYS AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve a Second Amendment to the Lease with Western Jet Aviation, Inc. for an aircraft hangar and adjacent land located at 16101 Saticoy Street at Van Nuys Airport, subject to the approval of the City Attorney as to form and compliance with the City's Standard Provisions applicable to contracts and leases including: the Living Wage Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, City insurance requirements, Contractor Responsibility Program, Equal Benefits Ordinance, and Bidder's Contributions City Ethics Commission (CEC) Form 55 provisions;
2. Authorize the Chief Executive Officer to execute the proposed Amendment; and
3. Return the Amendment to the Department for further processing, including Council consideration.

SUMMARY

Western Jet Aviation, Inc. (Western Jet, Lessee) is the world's largest independently-owned maintenance organization specializing in Gulfstream-type aircraft. Western Jet is a full service Federal Aviation Administration Certified Repair Station, with capabilities ranging from ongoing scheduled airframe and engine maintenance to trouble shooting and repair of aircraft on the ground. Western Jet's flagship location is a hangar located at 16101 Saticoy Street at Van Nuys Airport (VNY).

For years, Western Jet operated out of the Saticoy Street hangar as a sub-tenant to Raytheon Training and Services Company's (Raytheon) defense division. Approximately five years ago Western Jet assumed control of the entire hangar when Raytheon moved out. The hangar was upgraded to meet modern seismic standards after the 1994 Northridge Earthquake using Federal Emergency Management Agency funds.

The Los Angeles World Airports (LAWA) Chief Executive Officer requests approval to execute a Second Amendment to the Lease with Western Jet to extend the term for an additional 10 years providing the firm with business continuity for its existing aircraft maintenance operations at VNY.

In consideration for the additional 10-year lease term, the Lessee has agreed, at no cost to LAWA, to invest a minimum of \$3 million in building electrical and improvements to the facility. In the event the electrical upgrades cost less than \$3 million, Western Jet has agreed to make other approved investments in the facility up to the \$3 million. The electrical upgrade must be accomplished no later than April 1, 2018, with other potential improvements required to be completed by March 31, 2020.

The proposed Lease Amendment provides that, should the electrical upgrades be completed at a cost less than \$3 million, Western Jet may, at its option, make additional LAWA-approved facility investments and/or pay LAWA any amount of the \$3 million that has not been expended on improvements to the premises. The Amendment allows Western Jet to use a payment plan to pay any portion of the \$3 million not invested in the premises over five years with 7.5 percent interest annually beginning April 1, 2020.

The proposed Amendment also increases the leased premises by 0.77 acres of underutilized vacant land adjacent to the facility and includes all standard City and LAWA administrative requirements for contracts and leases.

Approval of the proposed Second Amendment will generate approximately \$1,147,517 in annual revenue to LAWA and \$11,475,170 over the 10-year term extension, including annual and five-year market adjustments.

The Board of Airport Commissioners approved the proposed Amendment at its meeting of March 2, 2017.

FISCAL IMPACT STATEMENT

The Los Angeles World Airports indicates that the proposed Second Amendment to the Lease with Western Jet Aviation, Inc. for an aircraft hangar at Van Nuys Airport will generate approximately \$1,147,517 in annual revenue and approximately \$11,475,170 over the 10-year term of the lease extension. The Amendment will have no impact on the General Fund.

RHL:JFH:10170112