

**amended**  
(see pages 2 and 3)

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see meeting  
video/minutes

 LOS ANGELES WORLD AIRPORTS		4 Item Number here																								
<b>Report to the BOARD OF AIRPORT COMMISSIONERS</b>																										
<b>Approver:</b>  _____ Dave Jones, Executive Director Commercial Development Division	<b>Meeting Date</b>  4/4/2024																									
<b>Reviewer:</b>  _____ Brian C. Ostler, City Attorney	<b>Needs Council Approval:</b> <input checked="" type="checkbox"/> Y																									
	<table border="1"><thead><tr><th>Reviewed for/by</th><th>Date</th><th>Approval Status</th><th>By</th></tr></thead><tbody><tr><td>Finance</td><td>3/27/2024</td><td><input checked="" type="checkbox"/> Y <input type="checkbox"/> NA</td><td>JS</td></tr><tr><td>CEQA</td><td>3/20/2024</td><td><input checked="" type="checkbox"/> Y</td><td>MD</td></tr><tr><td>Procurement</td><td>3/26/2024</td><td><input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond</td><td>LK</td></tr><tr><td>Guest Experience</td><td>3/26/2024</td><td><input checked="" type="checkbox"/> Y</td><td>TB</td></tr><tr><td>Strategic Planning</td><td>3/26/2024</td><td><input checked="" type="checkbox"/> Y</td><td>BNZ</td></tr></tbody></table>	Reviewed for/by	Date	Approval Status	By	Finance	3/27/2024	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS	CEQA	3/20/2024	<input checked="" type="checkbox"/> Y	MD	Procurement	3/26/2024	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	LK	Guest Experience	3/26/2024	<input checked="" type="checkbox"/> Y	TB	Strategic Planning	3/26/2024	<input checked="" type="checkbox"/> Y	BNZ	
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 _____ John Ackerman, Chief Executive Officer																										

## SUBJECT

Request to approve the proposed Third Amendment to Lease LAA-8758 with Denny's, Inc. located at 5535 West Century Boulevard at Los Angeles International Airport, to extend the lease term by one year with an additional one-year extension option. The proposed amendment will generate a minimum of \$528,000 in revenue over the potential two-year extension period.

## 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 (14) of the Los Angeles City CEQA Guidelines.
3. APPROVE the Third Amendment to Lease LAA-8758 with Denny's, Inc., and the associated increase in percentage rent, as referenced in this report.
4. AUTHORIZE the Chief Executive Officer, or designee, to execute the Third Amendment to Lease LAA-8758, upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

## DISCUSSION

### 1. Purpose

Staff request approval of the Third Amendment to Lease LAA-8758 with Denny's, Inc. (Denny's) to extend the lease term by one year, with a one-year extension, to continue operations at the 5535 West Century Boulevard location.

### 2. Prior Related Actions/History of Board Actions

- **January 14, 2013 – Resolution No. ~~26010~~<sup>25010</sup> (LAA-8758)**  
The Board of Airport Commissioners (Board) approved a ~~six~~<sup>five</sup>-year lease with Denny's for the operation of a restaurant facility.
- **April 19, 2018 – Resolution No. 26483 (LAA-8758A)**  
The Board approved the First Amendment to Lease LAA-8758 with Denny's for a term extension of one year, with two one-year renewal options.
- **January 5, 2000 – Resolution No. 20896**  
The Board approved the acquisition and leaseback of the Travelodge Hotel property at 5535-5547 West Century Boulevard, which included a hotel, a Denny's restaurant, and five billboard signs. Denny's was a sub-tenant of the hotel operator.
- **April 22, 2021 – Resolution No. 27240**  
The Board approved the Second Amendment to Lease LAA-8758 with Denny's for a term extension of two years, with a one one-year renewal option.

### 3. Background

Denny's has operated its 7,347 square-foot restaurant at 5535 West Century Boulevard (see Exhibit 1) since 1985. In 2000, the Board approved the purchase and leaseback of facilities located at 5535-5547 West Century Boulevard, which included the Denny's restaurant. The current lease will expire on April 30, 2024. Los Angeles World Airports (LAWA) staff have determined that it is best to continue this use for the present.

### 4. Current Action/Rationale

Commercial Development Division staff propose to provide Denny's a one-year term extension, with an additional one-year extension option to be exercised at LAWA's discretion. The proposed Third Amendment also increases the percentage of Gross Receipt Payments from 6.75 percent to 7 percent. The current percentage rent has averaged \$300,000 per year to LAWA. During the extension period, LAWA plans to conduct a highest and best use/development study to determine the best use of the Denny's property and adjacent areas. Both LAWA and Denny's will have the right to terminate the lease with 60 days' advance written notice.

The table below provides a summary of the proposed amendment:

## SUMMARY

	Original Lease	First/Second Amendment	Proposed Third Amendment
<b>Term:</b>	5 <del>6</del> years	One year with two one-year options; two years with a one-year option	Extend by one-year with a one-year extension option
<b>Commencement:</b>	May 1, 2013	May 1, <del>2019</del> <sup>2018</sup>	May 1, 2024
<b>Expiration:</b>	April 30, <del>2019</del> <sup>2018</sup>	April 30, 2024	April 30, 2025/April 30, 2026, if one-year option is executed
<b>Cancellation Provision:</b>	60 days by either party	No Change	No Change
<b>DEMISED PREMISES:</b>			
Restaurant Building	7,347 square feet	No Change	No Change
Land	51,189 square feet	No Change	No Change
<b>RENT*:</b>			
Minimum Annual Guarantee (MAG)	\$307,000	\$256,000	\$264,000
Percentage of Gross Sales	6.75%	No Change	7%
<b>Annual Adjustment to MAG:</b>	Based on the Consumer Price Index	3% fixed annual adjustments, starting July 1, 2023	No Change

\*Lessee shall pay the greater of the Minimum Annual Guarantee (MAG) or 7% of gross receipts as defined in the Lease.

### 5. Fiscal Impact

Approval of this item will result in a minimum of \$528,000 in revenue to LAWA over the two-year period, if the one-year extension option is exercised.

### 6. Alternatives Considered

- **Take No Action**

Taking no action is not recommended as it would (a) result in lost revenue to Los Angeles World Airports, (b) cause the building to be vacant and fall into disrepair, and (c) disrupt services provided by Denny's to its clients, including LAWA travelers.

## 7. How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: Enhance Financial Capacity: Increase net revenue from new and existing sources. The approval of the one-year extension with a one-year option will increase the percentage rent from 6.75 percent to 7 percent, resulting in \$528,000 minimum revenue over the two-year period.

## APPROPRIATIONS

No appropriation of funds is required for this action.

## STANDARD PROVISIONS

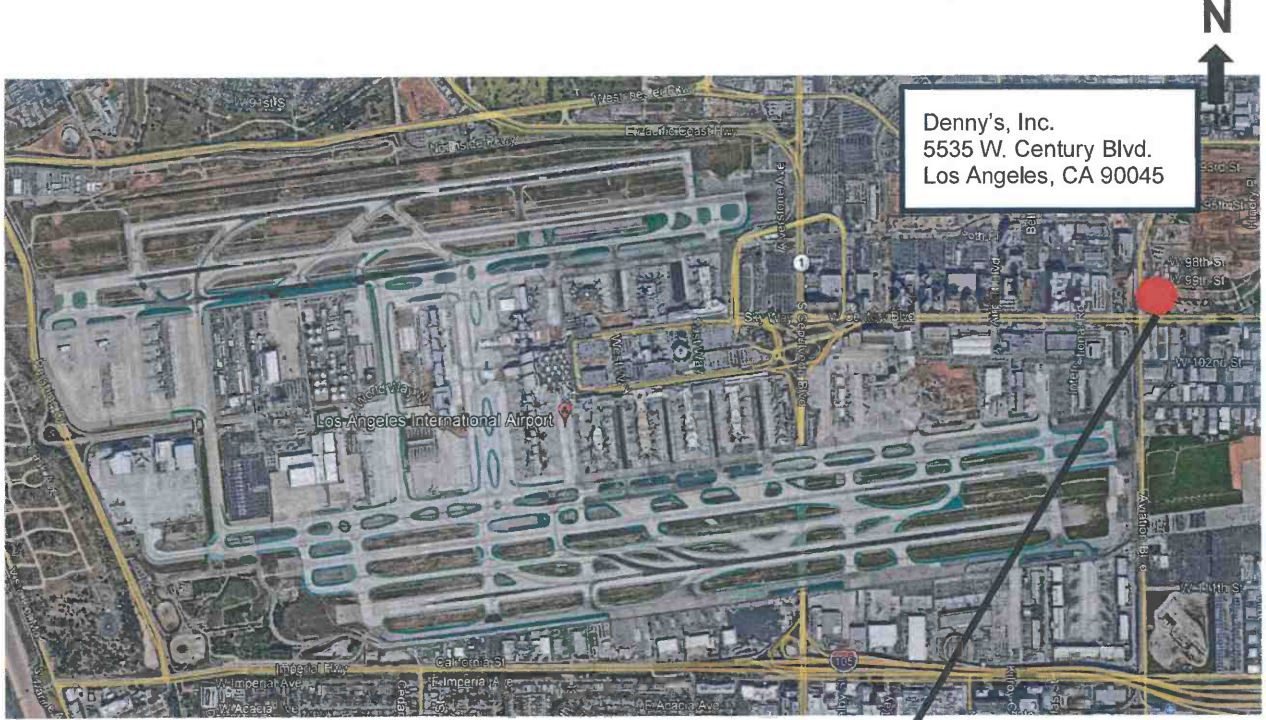
1. Issuance, renewal or amendment of any lease, license or permit to use an existing structure or facility involving negligible or no expansion of use is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.
2. The 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. Denny's Inc. will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. The Small Business Enterprise provisions do not apply to leases.
6. Denny's Inc. will comply with the provisions of the Affirmative Action Program.
7. Denny's Inc. has been assigned a Business Tax Registration Certificate number 0000105827-0010-4.
8. Denny's Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Denny's Inc. must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports, prior to the Lease Amendment.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Denny's Inc. has submitted the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Denny's Inc. has been determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Amendment.
13. Denny's Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.

14. Denny's Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Denny's Inc. has submitted the MLO Bidder Contributions CEC Form 50 and will comply with its provisions.
16. This item is not subject to the provisions of the Iran Contracting Act.

Attachment  
Exhibit 1 – Site Map



# SITE MAP



# LOCATION MAP



**THIRD AMENDMENT TO LEASE AGREEMENT**  
**No. LAA-8758**  
**BETWEEN THE CITY OF LOS ANGELES**  
**FOR THE DEPARTMENT OF AIRPORTS AND**  
**DENNY'S INC.**  
**AT**  
**5535 WEST CENTURY BOULEVARD, LOS ANGELES, CA 90045**  
**AT LOS ANGELES INTERNATIONAL AIRPORT**

THIS THIRD AMENDMENT TO Lease Agreement LAA-8758 (Lease Agreement LAA-8758 is also referred herein as the "Lease") is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at Los Angeles, California, by and between the CITY OF LOS ANGELES, a municipal corporation, (herein after referred to as "City"), acting by order of and through the Board of Airport Commissioners (hereinafter referred to as "Board") of the Department of Airports, also known as Los Angeles World Airports ( hereinafter referred to as "Department" or "LAWA"), and Denny's Inc. (hereinafter referred to as "Denny's", "Lessee", and/or "Party/Parties").

**RECITALS**

WHEREAS, City and Denny's previously entered into the Lease with the term commencing on May 1, 2013, through amendment extension, currently expiring on April 30, 2024; and

WHEREAS, City and Denny's desire to extend the Lease, and City is willing to enter into an agreement to extend the Lease, as well as increase the percentage of Gross Receipts payment to LAWA to Seven Percent (7%) from Six and three quarters Percent (6.75%) in the terms and conditions set forth in this Third Amendment; and

WHEREAS, LAWA is developing and constructing various projects associated with its Landside Access Modernization Program ("LAMP" or "Project") that have impacted Denny's and may require portions of Denny's Demised Premises (as defined in the Lease).

NOW, THEREFORE, for and in consideration of the covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, IT IS MUTUALLY AGREED as follows:

**AMENDMENTS**

**Section 1.** Article 1, Section 2, Term of Lease, is hereby amended in the following respects, only. Section 2.1 is hereby modified and Section 2.1.1 is added as follows:

"2.1 This Lease shall commence on May 1, 2013, ("Commencement Date"), and shall terminate April 30, 2025, with one (1) option ("Extension Option") to extend the Lease for an additional one-year term ("Option Term"), pursuant to the discretion of the City, unless the Lease is earlier terminated pursuant to the terms provided in this Lease, provided that either party may terminate the Lease with Sixty (60) days written notice to the other party.



2.1.1 During the Option Term, the terms and conditions of this Lease shall continue in effect except as to terms and conditions of this Lease which are expressly or by their operation applicable only during the original Term of this Lease. The exercise of the Extension Option shall not require an amendment to this Lease and shall not require the prior approval or later ratification by the Board or the Los Angeles City Council. For purposes of this Lease, unless otherwise provided herein, the phrase, "term of the Lease" and/or "Term" shall include any exercised portion of the Option Term if the Extension Option is exercised in accordance with this provision."

**Section 2.** Article 1, Section 4.1.2, is hereby deleted in its entirety, and lieu thereof the following shall be inserted:

"4.1.2. As consideration for the City granting the rights in this Lease, Lessee shall pay City commencing on the Rent Commencement Date, during the Term hereof, subject to the payment terms and as provided below, the greater of Six and three quarters Percent (6.75%) of Gross Receipts (As defined below) or a Minimum Annual Guarantee (MAG) of Two Hundred and sixty-four Thousand Dollars (\$264,000) from all sources. At the end of each Agreement year, Lessee shall reconcile the sum of all payments remitted to the City for that Agreement year. Should the sum be greater than the MAG, Lessee shall remit payment of the difference between such sum and the MAG within thirty (30) days of the end of the Agreement year.

(a) On May 1, 2024, the calculation applied to the Percentage of Gross Receipts referenced in Section 4.1.2. shall increase from Six and three quarters Percent (6.75%) to Seven Percent (7%)."

**Section 3.** Except as amended or modified by this Third Amendment, Lease Agreement LAA-8758 is hereby ratified and confirmed and all other terms of Lease Agreement LAA-8758 shall remain in full force and effect, unaltered and unchanged by this Third Amendment. If there is any conflict between the provisions of this Third Amendment and the provisions of Lease Agreement LAA-8758, the provisions of this Third Amendment shall prevail. Whether or not specifically amended by this Third Amendment, all terms and provisions of Lease Agreement LAA-8758 are amended to the extent necessary to give effect to the purpose and intent of this Third Amendment.

**Section 4.** **No Third Party Beneficiaries.** No provisions of Lease Agreement LAA-8758 or this Third Amendment may be amended or added to except by a written agreement signed by the Parties or their respective successors-in-interest. This Third Amendment is not intended to confer upon any person other than the Parties, any rights or remedies hereunder.

**Section 5.** **Governing Law; Interpretation.** This Third Amendment shall be governed by, and construed in accordance with, the laws of the State of California. Lease Agreement LAA-8758 and this Third Amendment are subject to the provisions of the Los Angeles Administrative



Code. Each Party represents and warrants that this Third Amendment has been negotiated and drafted at arms-length by equally sophisticated parties, and any ambiguity cannot be attributed to either Party hereto. If any provision of this Third Amendment, or the application thereof to any persons or circumstances, shall be invalid or unenforceable, the remainder of this Third Amendment shall not be affected thereby, and each provision of this Third Amendment shall be valid and shall be enforceable to the fullest extent permitted by law.

**Section 6. Electronic Signatures.** This Third Amendment to Lease and any other document necessary for the consummation of the transaction contemplated by this Third Amendment to Lease may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Third Amendment to Lease and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this Third Amendment to Lease had been delivered that had been signed using a handwritten signature. All parties to this Third Amendment to Lease (i) agree that an electronic signature, whether digital or encrypted, of a party to this Third Amendment to Lease is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Third Amendment to Lease based on the foregoing forms of signature. If this Third Amendment to Lease has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“E-SIGN”) and the California Uniform Electronic Transactions Act (“UETA”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.”

**Section 7. Incorporation of Recitals.** City and Lessee each acknowledge the truth and accuracy of the Recitals set forth above, which by this reference are incorporated into this Third Amendment to Lease.

*[Signatures on the following page.]*

IN WITNESS WHEREOF, City has caused this Third Amendment to be executed on its behalf by the Chief Executive Officer (also referred to as Executive Director) or his or her designee, and Lessee has caused the same to be executed by its duly authorized officers, all as of the day and year first herein above written.

**APPROVED AS TO FORM:**  
Hydee Feldstein Soto, City Attorney

**CITY OF LOS ANGELES**

By signing below, the signatory attests that they have no personal, financial, beneficial, or familial interest in this Contract.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Chief Executive Officer

By: \_\_\_\_\_  
Deputy/Assistant City Attorney

ATTEST:

**Denny's Inc.**

By: Mark S. Burgess  
Mark S. Burgess, Vice President

By: Stephen C. Dunn  
Stephen C. Dunn, Executive Vice President  
Stephen Dunn  
Executive Vice President  
Chief Global Development Officer

Its: Mark Burgess  
Vice President, Real Estate  
& Business Development  
Real Estate and Business Development

Its: \_\_\_\_\_  
Chief Global Development Officer

[SEAL]