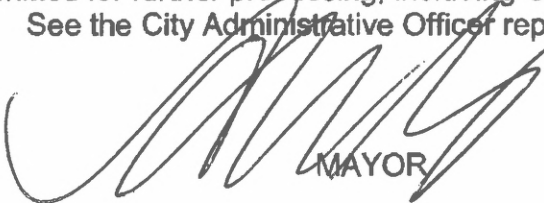


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|---|----------------------------|------------------|
| <b>TRANSMITTAL</b>  |                            | 0150-11398-0000  |
| TO<br>Deborah Flint, Chief Executive Director<br>Department of Airports   | DATE<br><b>JUL 17 2019</b> | COUNCIL FILE NO. |
| FROM<br>The Mayor   | COUNCIL DISTRICT<br>11     |                  |
| <p><b>Proposed Lease with Aerovias Empresa de Cargo S.A. de C.V.<br/>dba Aeromexico Cargo<br/>at Los Angeles International Airport</b></p> <p>Transmitted for further processing, including Council consideration.<br/>See the City Administrative Officer report attached.</p> <p><br/>MAYOR Ana Guerrero</p> <p>RHL:AVM:10200003t</p> |                            |                  |

**REPORT FROM**

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: July 16, 2019

CAO File No. 0150-11398-0000

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 June 18, 2019; referred by the Mayor for a report on June 18, 2019

Subject: **PROPOSED LEASE WITH AEROVIAS EMPRESA DE CARGO S.A. DE C.V. DBA AEROMEXICO CARGO FOR A CARGO FACILITY AT LOS ANGELES INTERNATIONAL AIRPORT**

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**RECOMMENDATIONS**

That the Mayor:

1. Approve a proposed Lease with Aerovias Empresa de Cargo S.A. de C.V. dba Aeromexico Cargo to continue operating a cargo facility located at 6851 West Imperial Highway, at Los Angeles International Airport, for a term of 30 months, which will generate approximately \$4,379,983 in revenue over the duration of the Lease term, subject to approval by the City Attorney as to form and compliance with the City's Standard Provisions including the: Affirmative Action Program, Business Tax Registration Certificate, Child Support Obligations Ordinance, City insurance requirements, Contractor Responsibility Program and Contractor Responsibility Program Pledge of Compliance, First Source Hiring Program, Living Wage Ordinance, Municipal Lobbying Ordinance City Ethics Commission Form 50, and Worker Retention Ordinance;
2. Authorize the Chief Executive Officer to execute the proposed Lease, upon approval by the Los Angeles City Council, subject to being determined by the Public Works Department, Office of Contract Compliance to be in compliance with the provisions of the Equal Benefits Ordinance, prior to execution of the Lease; and,
3. Return the request to the Department of Airports for further processing, including Council consideration.

**SUMMARY**

Los Angeles World Airports (LAWA, Department) staff initiated a competitive process, Request for Lease Offer, on February 8, 2013 for premises located at 6851 West Imperial Highway, at Los

Angeles International Airport (LAX). Aerovias Empresa de Cargo S.A. de C.V. dba Aeromexico Cargo (Aeromexico), which operated a cargo business as a subtenant in a tenant-controlled facility at a smaller, different LAX location, was the sole respondent to the Request for Lease Offer. The Board of Airport Commissioners (BOAC) approved a proposed five-year lease on October 15, 2013, which allowed Aeromexico to relocate and expand their cargo business operations at 6851 West Imperial Highway, LAX. The premises consists of: building, 61,949 square feet (S.F.); land, 139,887 S.F.; automobile paving, 74,041 S.F.; shared land, 13,841 S.F. and, shared paving, 12,244 S.F. The lease term expired on October 31, 2018 and currently Aeromexico cargo business is operating on a month-to-month status. Department staff reports actual total revenue generated through the lease was approximately \$8,086,310, from March 21, 2014 through July 1, 2019.

Over the last 12-15 months, Department staff has been evaluating the use of land and other assets at LAX. The Aeromexico facility site was reviewed as staff is focusing upon ensuring an optimal use of LAWA real estate assets. To provide Department staff flexibility to study potential development and high priority aviation use opportunities, and to enable Aeromexico cargo business to function uninterrupted, staff is proposing a new Lease between LAWA and Aeromexico.

Approval of the Lease will allow Aeromexico to continue its cargo operations at 6851 West Imperial Highway, LAX for an additional 30 months, and will provide two one-year term extension options. The building rental rate in the proposed new Lease will increase to \$19 per square foot per year (PSFPY), from the current rate of \$16 PSFPY. This proposed rate is comparable to rates for other LAX cargo buildings and is based upon the results of a LAWA-commissioned appraisal completed in October 28, 2018. The building rental rate increase will be effective November 1, 2018, a day after the lease expiration date, and will require Aeromexico to submit a retroactive rent payment to LAWA. Implementation of the revised rate will increase the Lease revenue by approximately \$180,900 per year, to an estimated amount of \$1,751,993 in the first year of the proposed term. The land and automobile paving rental rates, at \$3.51 PSFPY and \$0.41 PSFPY, respectively, in the proposed Lease are the BOAC-approved rates, subject to annual Consumer Price Index adjustments. Additionally, the proposed Lease includes a termination option (and fee) which will allow either party to terminate the Lease upon 90 days prior written notice to the other party, in accordance with requirements noted in the provision. Other standard provisions in the proposed Lease will remain unchanged. The BOAC approved the proposed Lease with Aeromexico at its meeting on June 20, 2019.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed Lease between the Los Angeles Worlds Airports (Department) and Aerovias Empresa de Cargo S.A. de C.V. dba Aeromexico Cargo will have no impact on the City's General Fund and complies with Department adopted Financial Policies. Implementation of the Lease will generate approximately \$1,751,993 in the first year of the proposed term, and a minimum of \$4,379,983 in revenue over the duration of the 30-month Lease term, exclusive of annual adjustments and extension options.