



Los Angeles World Airports

Item Number
1
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REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Evan Haug

Approved by: Evan Haug, Senior Real Estate Officer

SMB

Reviewed by: Samantha Bricker, Chief Sustainability and Revenue
Manager

D. Dy

City Attorney

JH

Justin Erbacci, Chief Executive Officer

Meeting Date:

6/3/2021

CAO Review:

Completed
 Pending
 N/A

Reviewed for	Date	Approval Status	By
Finance	5/5/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS
CEQA	4/30/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	5/6/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	LK
Guest Experience	5/6/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	5/3/2021	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA	KC

SUBJECT:

Approve a new 65-month office lease with Stockton Architects, Inc. at Aviation Plaza, owned by Los Angeles World Airports, and located at 16461 Sherman Way, Van Nuys, 91406, which will generate \$195,163 over the 65-month term.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- 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.
- FIND that City's competitive bidding restrictions do not apply pursuant to Board Resolution 25714 where the Board of Airport Commissioners and the City Council found that it would be in the best interest of the City to contract with Colliers International for leasing services at Aviation Plaza.
- APPROVE rental rates and a new lease with Stockton Architects, Inc., which includes adjusted rental rates that will generate \$195,163 over the 65-month term of the lease.

5. APPROPRIATE funds in the amount of \$11,183 for Broker Commissions and \$20,170 for Tenant Improvements.
6. AUTHORIZE the Chief Executive Officer to execute the lease after approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Approve the new office lease with Stockton Architects, Inc. at Aviation Plaza, 16461 Sherman Way, Suite 100, Van Nuys, CA 91406, for a 65-month term. The new office lease will generate \$195,163 in revenue for Los Angeles World Airports (LAWA).

2. Prior Related Actions

- **July 1, 2020 – Resolution No. 27039** - The Chief Executive Officer issued the First Amendment to the Property Management and Leasing Agreement with Colliers International Real Estate Management Services (CA), Inc. (Colliers) to extend the agreement for one year.
- **July 1, 2019 – Resolution No. 26776**
The Board of Airport Commissioners (Board) approved a one-year Property Management and Leasing Agreement with Colliers for Property Management and Leasing Services at Aviation Plaza at Van Nuys Airport (VNY) for an amount not to exceed \$54,000.

3. Current Action

Aviation Plaza, which is owned by LAWA, is a three-story commercial office building with thirty-seven office suites and 45,104 rentable square feet of office space. Aviation Plaza is located at 16461 Sherman Way, Van Nuys, CA 91406, adjacent to the Van Nuys Airport, and currently is 58% occupied. The Net Operating Income has been trending downward in recent years due to increased vacancies, high operating costs, and some major deferred maintenance items. In order to increase occupancy levels and bring in higher rental rates for Fiscal Year 2022, key improvements and maintenance projects will be funded through a separate capital project and included in the Fiscal Year 2022 budget. Staff already has initiated the process of leasing vacant spaces at Aviation Plaza in an effort to increase the occupancy rate and to generate additional revenue.

The new lease with Stockton Architects, Inc. will be for a 65-month term, which includes five years and two months of rental revenue and three months of free rent during the first year. The lease also includes a 3% annual rental rate increase. The total revenue to LAWA over the term will be \$195,163. This lease will be a full-service gross lease. The table below provides a summary of the proposed terms:

Proposed Lease Summary	
TERM:	65-month
Commencement Date:	Upon full execution.
Expiration:	65 months after execution.
DEMISED PREMISES:	2,017SF
RENT:	\$1.50/SF/month
TENANT IMPROVEMENTS:	\$20,170, \$10/Per SF
BROKER COMMISSION:	\$11,183

Fiscal Impact

Approval of this item will result in rental revenue of \$195,163 to Los Angeles World Airports over the 65-month term.

4. Alternatives Considered

- **Take No Action - Deny request to approve the Lease**
 Deferring approval of the Lease will result in lost revenue to Los Angeles World Airports. As the Lease meets established guidelines, disapproval may impair ongoing efforts to market the space in Aviation Plaza by creating uncertainty for the prospective tenants.
- **Lease space to another tenant**
 During negotiations, no other parties have expressed interest and no prospective tenants are known to have interest in suite 100 at Aviation Plaza.

APPROPRIATIONS:

Appropriate funds in the amount of \$11,183 for broker commissions as approved in the Aviation Plaza Property Management Agreement and \$20,170 for Tenant Improvements.

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. Stockton Architects, Inc. will comply with the provisions of the Living Wage/Worker Retention Ordinances.
5. The Small Business Enterprise, Local Business Enterprise/Local Small Business Enterprise, and Disabled Veterans Business Enterprise Programs do not apply to leases.
6. Stockton Architects, Inc. will comply with the provisions of the Affirmative Action Program.
7. Stockton Architects, Inc. must submit a Business Tax Registration Certificate prior to execution of Lease Agreement.
8. Stockton Architects, Inc. will comply with the provisions of the Child Support Obligations Ordinance.
9. Stockton Architects, Inc. must have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the Lease.
10. This action is not subject to the provisions of the City Charter Section 1022 (Use of Independent Contractors).
11. Stockton Architects, Inc. must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Stockton Architects, Inc. must be determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Agreement.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. Stockton Architects, Inc. must submit the Bidder Contributions CEC Form 55 prior to execution of the Lease Agreement.
15. Stockton Architects, Inc. must submit the Bidder Contributions CEC Form 50 prior to execution of the Lease Agreement.
16. This item is not subject to the provisions of the Iran Contracting Act.