

RESOLUTION NO. 27541

WHEREAS, on recommendation of Management, there was presented for approval, two (2)-year Lease with Delta Air Lines, a Delaware company, and building rental rate, covering the property located at 11101 Aviation Boulevard within Los Angeles International Airport; and

WHEREAS, the Imperial Cargo Complex (ICC), located at the southwest corner of Aviation Boulevard and Imperial Highway, is comprised of eight (8) cargo facilities totaling 577,138 square feet of building space on 1,009,300 square feet of land. The ICC area also consists of ten (10) aircraft parking positions (see Exhibit 1 attached herein) that are managed by Los Angeles World Airports (LAWA) Operations Division; and

LAX

Van Nuys

City of Los Angeles

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Chief Executive Officer

WHEREAS, LAWA initially allowed the six (6) individual leases with Swissport Cargo Services LP, Polar Air Cargo Worldwide Inc., Lufthansa Cargo Aktiengesellschaft, Delta Air Lines (Delta), China Airlines Ltd, and Société Air France to expire while retaining the tenants in holdover, month-to-month tenancy to ensure a comprehensive approach to the future planning and development of the ICC; and

WHEREAS, LAWA proposed to implement new short-term leases for said six (6) tenants whose leases had expired. The new leases would expire on October 31, 2024, contemporaneously with United Airlines Inc.'s cargo lease. Five (5) of said short-term leases were approved by the Board of Airport Commissioners on April 14, 2022, with only Delta's remaining for consideration; and

WHEREAS, Delta has operated at the ICC since 1984. The facility consists of 90,900 square feet of cargo warehouse, 134,997 square feet of land, and 44,997 square feet of auto paving. Delta's current lease expired on December 20, 2018. Delta currently occupies the premises on holdover status in a month-to-month tenancy; and

WHEREAS, LAWA and Delta have agreed to terms for a new short-term lease that will expire on October 31, 2024 to allow continued cargo operations and to align the expiration date for this lease with the other tenants in the ICC; and

WHEREAS, as part of the negotiation for the new short-term lease, Delta agreed to a building rental rate increase from \$20.24 to \$25.50 per square foot per year (PSFPY), which is consistent with rental rates at other Los Angeles International Airport (LAX) cargo facilities. Taking into consideration the length of time between Delta's lease expiration and the date of execution of the new lease, LAWA and Delta agreed to a stepped approach to reach the building rental rate of \$23.50 PSFPY. The building rental rate will increase to an initial rate of \$21.85 PSFPY effective December 21, 2018; \$22.44 PSFPY effective July 1, 2019; \$22.89 PSFPY effective July 1, 2020; \$23.50 PSFPY effective January 1, 2021; and then \$25.50 PSFPY effective July 1, 2022. The building rental rate increase will result in a one-time retroactive rent payment by Delta of \$638,620, which covers the holdover period from December 2018 to the estimated date of execution of the new lease. The retroactive rent payment may change based on the date of execution. The new lease includes all standard LAWA terms and provisions; and



WHEREAS, following is a summary of the terms of the new Lease with Delta:

	Previous	New
Term:		
Effective Date	December 21, 2013	upon execution by the Chief Executive Officer
Expiration Date	December 20, 2018	October 31, 2024
Early Termination	180-days written notice	90-days written notice
Premises:		
Land Area	134,997 square feet	no change
Building	90,900 square feet	no change
Auto Paving	44,997 square feet	no change
Rental Rates:		
Land	\$ 4.89 PSFPY	\$4.89 PSFPY
Auto Paving	\$ 0.48 PSFPY	\$0.48 PSFPY
Building	\$23.51 PSFPY	\$21.85 PSFPY 12/21/2018 \$22.44 PSFPY 07/01/2019 \$22.89 PSFPY 07/01/2020 \$23.50 PSFPY 01/01/2021 \$25.50 PSFPY 07/01/2022
Annual Rent	\$2,819,063	\$3,022,270
Retroactive Rent	none	\$ 638,620
First Year Rent	\$2,819,063	\$3,660,890
Rental Adjustments:		
Annual Adjustment	Consumer Price Index on July 1	3% on July 1
Periodic Adjustment	Land Rate Adjustment: July 1, 2020, and every five years thereafter	Land Rate Adjustment: July 1, 2025, and every five years thereafter. Retroactive rental amounts will apply.
	Paving rate adjustments as per standard LAWA procedures	no change; and

Notes:

- The Annual, Retroactive, and First Year Rents were calculated based on the new building rate effective July 1, 2022 and a lease commencement date of October 1, 2022.
- The new Airport Periodic Land Rate Adjustment was approved by the Board, and is retroactive to January 1, 2022
- Retroactive Rent for the Land Rate Adjustment was not included in the rent calculations above.

WHEREAS, 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; and

WHEREAS, Delta will comply with the provisions of the Living Wage Ordinances; and

WHEREAS, Delta will comply with the provisions of the Affirmative Action Program; and

WHEREAS, Delta must submit a Business Tax Registration Certificate prior to execution of the lease; and

WHEREAS, Delta will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Delta must have approved insurance documents, in the terms and amounts required, on file with LAWA prior to execution of the lease; and

WHEREAS, Delta must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of said program; and

WHEREAS, Delta must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to lease execution; and

WHEREAS, Delta will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and


WHEREAS, Delta must submit the Municipal Lobbying Ordinance CEC Form 50 prior to execution of the lease; and

WHEREAS, 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined 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; approved the two (2)-year Lease with Delta Air Lines, a Delaware company, and building rental rate, covering the property located at 11101 Aviation Boulevard within Los Angeles International Airport; and authorized the Chief Executive Officer, or designee, to execute said Lease with Delta Air Lines, a Delaware company, after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27541 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, July 21, 2022.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

Attachment:
- Exhibit 1 - Imperial Cargo Complex

EXHIBIT 1
Imperial Cargo Complex

