



COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

GAIL FARBER, Director

December 10, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

20 December 10, 2013

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**AMENDMENT NO. 1 TO LEASE AGREEMENT NO. 76040
BETWEEN THE COUNTY OF LOS ANGELES AND
BRACKETT HANGAR, LLC, FOR THE CONSTRUCTION AND
OPERATION OF AIRCRAFT STORAGE HANGARS AT
BRACKETT FIELD AIRPORT IN THE CITY OF LA VERNE
(SUPERVISORIAL DISTRICT 5)
(4 VOTES)**

SUBJECT

This action is to approve and instruct the Chairman to sign Amendment No. 1 for Lease Agreement No. 76040 between the County of Los Angeles and Brackett Hangar, LLC, which will provide for the construction and operation of aircraft storage hangars at Brackett Field Airport in the City of La Verne.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed Amendment No. 1 for Lease Agreement No. 76040 is categorically exempt from the provisions of the California Environmental Quality Act.
2. Approve and instruct the Chairman to sign Amendment No. 1 for Lease Agreement No. 76040 between the County of Los Angeles and Brackett Hangar, LLC, which stipulates payment of construction penalties, implements a new nonaviation rental surcharge schedule, and establishes a new completion date for the construction and operation of storage hangars at Brackett Field Airport.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the proposed amendment (Lease Amendment No. 1) is to address construction penalties accrued to date by substituting the construction penalties owed to date with anticipated income generated through the implementation of a new nonaviation rental surcharge schedule and to ensure the timely completion of the construction of aircraft hangars and related aviation office facilities (the Project) in accordance with Lease Agreement No. 76040.

On February 20, 2007, the Board approved Lease Agreement No. 76040 (Lease) between the County of Los Angeles (County) and Sunrise Pacific Aviation, LLC, for the construction and operation of aircraft storage hangars and related aviation office facilities on approximately 8 acres of land at Brackett Field Airport (Airport). The Lease is for a 30 year term, expiring January 31, 2037, with three 5-year options to renew. It was assigned to Brackett Hangar, LLC (Lessee), on March 9, 2007.

To date, the Lessee has made all rental payments in full and has complied with the terms and conditions of the Lease. However, the Lessee was unable to fully complete construction of the Project prior to the penalty phase described in the Lease and has accrued unpaid construction penalties. The Lessee has already paid \$55,310.06 and has agreed to pay an additional \$55,000 in construction penalties, bringing the outstanding balance of construction penalties to approximately \$249,000. Consequently, the Lessee has requested that its Lease be amended to include certain provisions that will address the remaining balance of construction penalties and establish a new completion date for the Project.

The Project is now approximately 70 percent complete, accommodates a large flight school, and provides many hangars that are utilized for the storage of aircrafts of various types and sizes. Overall, it is in the best interest of the County and the users of the Airport that the Project is fully accomplished. Upon its completion, the Project will provide approximately 105,884 square feet of new-construction aircraft hangars and related aviation office facilities to provide space for aircraft storage and various types of general aviation businesses.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provisions of Operational Effectiveness (Goal 1) and Integrated Services Delivery (Goal 3). Implementation of the recommended actions will continue to provide an accommodating facility for airport customers and will support quality public works infrastructure services to the communities.

FISCAL IMPACT/FINANCING

There will be no impact to the County General Fund.

All costs associated with the Project will be the responsibility of the Lessee.

Through the proposed Lease Amendment No. 1, Public Works will collect an additional \$55,000 in construction penalties.

Furthermore, the Lease today contains provisions for the Lessee to pay County a rental surcharge for all approved nonaviation activities conducted on the Lessee's premises. The current nonaviation rental surcharge is \$0.037 per square-foot of the Lessee's premises that is used for approved nonaviation purposes. The proposed Lease Amendment No. 1 establishes a new schedule for

increasing the nonaviation rental surcharge from the current rate up to \$0.08 per square-foot over a period of three (3) years, to be adjusted in subsequent years based on changes in the Consumer Price Index. This increase in the nonaviation rental surcharge, based on the Lessee's current and conservatively projected nonaviation occupancy rates, is estimated to generate additional income to the County that will exceed the outstanding balance of construction penalties owed by the Lessee.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

After consideration of the Lessee's request to amend its Lease and an extensive evaluation of its ability to complete the Project, which included numerous discussions with the County's airport management contractor and the Lessee, Public Works has concluded that the best approach to addressing the construction penalties and ensuring that the Project is appropriately supported through its completion, is to amend the Lease.

The proposed Lease Amendment No. 1 for the Board's approval will: (1) recover an additional \$55,000 in unpaid construction penalties as agreed to by the Lessee, (2) include a new provision in the Lease to impose an updated nonaviation rental surcharge schedule, and (3) establish a new deadline for the completion of the Project.

Aside from the changes to the Lease contained in the proposed Lease Amendment No. 1, all terms, conditions, and provisions of the original Lease will remain in full force and effect.

The proposed Lease Amendment No. 1 has been reviewed and approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION

Consistent with requirements of the California Environmental Quality Act (CEQA), a Mitigated Negative Declaration (MND) was prepared for the original Lease, which determined that the Project would not have a significant effect on the environment. The MND, which included various measures to ensure CEQA compliance and mitigate or avoid significant effects on the environment, was approved and adopted by the Board on February 20, 2007, along with the original Lease.

Lease Amendment No. 1 does not propose any additional construction beyond what is described in the Lease. Therefore, the proposed Lease Amendment No. 1 is categorically exempt from the provisions of CEQA.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the proposed Lease Amendment No. 1 will facilitate the successful completion of the Project and result in an increase in aircraft hangar space and aviation office facilities available at the Airport.

CONCLUSION

Please return three adopted copies of this letter and enclosures to the Department of Public Works, Aviation Division. Also, please forward one adopted copy of the letter and enclosures to the County Assessor, Possessory Interest Division; and the Auditor Controller, General Claims Division.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gail Farber".

GAIL FARBER
Director

GF:RLS:jem

Enclosures

c: Auditor-Controller
Chief Executive Office (Rita Robinson)
County Assessor
County Counsel (Adrienne Byers)
Executive Office

AMENDMENT NO. 1 TO LEASE AGREEMENT NO. 76040
AT BRACKETT FIELD AIRPORT, LA VERNE, CALIFORNIA

THIS AMENDMENT NO. 1 TO LEASE AGREEMENT NO. 76040 is made
and entered into this 10th day of December 2013,

BY AND BETWEEN

COUNTY OF LOS ANGELES, a body
corporate and politic (hereinafter referred to as
"County"),

AND

BRACKETT HANGAR, LLC, a California
limited liability company (hereinafter referred to
as "Lessee"),

WITNESSETH

WHEREAS, County and Sunrise Pacific Aviation, LLC entered into Lease
Agreement No. 76040 on February 20, 2007, for the construction and operation
of aircraft storage hangars at Brackett Field Airport, La Verne, California; and

WHEREAS, Sunrise Pacific Aviation, LLC assigned Lease Agreement
No. 76040 to Lessee on March 9, 2007; and

WHEREAS, Lessee and County mutually desire to amend Lease
Agreement No. 76040 to resolve construction penalties owed to the County,
revise the construction schedule for the project, and incorporate language to
address non-aeronautical use of the Leased Premises.

NOW, THEREFORE, in consideration of the payment of rental and
performance of the terms, covenants, and conditions hereinafter contained, to be
kept and performed by the respective parties hereto, it is mutually agreed as
follows:

1. **SECTION 3.1.7** is deleted in its entirety and replaced with the following:

"3.1.7 County reserves the right to charge standard rates and fees, including
fees specified in Section 4 hereof, for uses other than these Approved
Uses which it may permit. Lessee agrees to pay a non-negotiable rental
surcharge for all approved non-aeronautical activities conducted on the
Leased Premises. The rental surcharge shall apply to the space occupied
on the Leased Premises by approved non-aeronautical use as follows:

a. Effective December 1, 2013, the rental surcharge shall be \$.045 per square foot per month.

b. Effective December 1, 2014, the rental surcharge shall be \$.06 per square foot per month.

c. Effective December 1, 2015, the rental surcharge shall be \$.08 per square foot per month.

d. On December 1, 2016, and each year thereafter, the rental surcharge will be adjusted based on the CPI adjustment used for adjusting annual rent pursuant to Section 4.1.2.

Lessee shall be liable to County for any rates and fees, including surcharges, imposed by County for non-aeronautical uses, from the date of the non-aeronautical occupancy.”

2. **SECTION 4.1.4** is deleted in its entirety and replaced with the following:

“4.1.4 The Parties acknowledge and agree that in accordance with this Lease, Lessee owes the County penalties as a result of delays in the completion of the construction of the project as required under this Lease. Lessee shall pay to the County the total amount of \$110,310 to satisfy the payment of such penalties. The County acknowledges that Lessee has paid the County to date the amount of \$55,310 in penalties and that accordingly, the balance of the penalties owed to the County is \$55,000. Lessee shall pay to County or Manager the remaining penalty balance of \$55,000 prior to or upon Lessee submitting to County Building and Safety its application for Certificate of Occupancy final inspection consistent with Section 4.1.5 hereof.

3. **SECTION 4.1.5** is deleted in its entirety and replaced with the following:

“4.1.5 Lessee shall complete all of the Improvements described on Exhibit C and submit to County Building and Safety its application for Certificate of Occupancy final inspection within twelve (12) months of the Board of Supervisors’ approval of Amendment No. 1 to Lease Agreement No. 76040. Lessee shall provide Director with a copy of its application for Certificate of Occupancy final inspection within ten (10) days of filing application with County Building and Safety. In the event that Lessee does not complete all Improvements described on Exhibit C and submit to County Building and Safety its application for a Certificate of Occupancy final inspection within twelve (12) months of the Board of Supervisors’ approval of Amendment No. 1 to Lease Agreement No. 76040, Lessee shall pay to County or Manager, as additional rent, a penalty equal to 100 percent of the base rent as adjusted pursuant to this Section 4, payable per month.

4. This Amendment No. 1 shall be effective as of the date of approval by the County Board of Supervisors.
5. It is mutually understood and agreed that all other terms and conditions and provisions of the original Lease Agreement No. 76040 shall remain in full force and effect, except as herein expressly modified.

The remainder of this page intentionally left blank.

IN WITNESS WHEREOF, the Lessee has executed this Amendment No. 1 to Lease Agreement No. 76040, or caused it to be duly executed, and the County of Los Angeles, by order of its Board of Supervisors, has caused this Amendment No. 1 to be executed on its behalf on the day, month, and year first written above.



COUNTY OF LOS ANGELES

By Mike Antonovich
MAYOR, PRO TEM Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer of the
Board of Supervisors of the
County of Los Angeles

By [Signature]
Deputy

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made

SACHIA A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By [Signature]
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By [Signature]
Deputy

ADOPTED
BOARD OF SUPERVISORS

AGREED:

20 DEC 10 2013

Takashi Ito, President
BRACKETT HANGAR, LLC

[Signature]
SACHI A. HAMAI
EXECUTIVE OFFICER

By [Signature]
Lessee

76040 Supplement No. 1