



CITY OF LONG BEACH

LONG BEACH AIRPORT

R-24

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October 21, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for the termination of Lease No. 25952 with Olen Commercial Realty Corp., a Nevada corporation, for City-subleased property at 3501 N. Lakewood Boulevard. (District 5)

DISCUSSION

In 1998, the City Council authorized the execution of Lease No. 25952 (Lease) between the City of Long Beach and Olen Properties Corp., as predecessor in interest to Olen Commercial Realty Corp. (Olen), for property at 3501 N. Lakewood Boulevard for use by the Field Services Division of the Long Beach Police Department. In 2007, the City Council authorized the execution of a new agreement for property at 3205 N. Lakewood Boulevard for the relocation of the Long Beach Fire Department Headquarters and the Field Services Division of the Long Beach Police Department. Occupancy of the new site occurred in early 2008.

Under the terms of the Lease for the Olen property, the City is responsible for the restoration of the leased premises prior to expiration or early termination of the Lease. This includes the removal of all furniture, fixture and equipment and cleaning of the site, the removal of tenant improvements from and restoration of the north and south hangars, asphalt repair and the removal of underground storage tanks for gasoline and jet fuel installed on the leased premises by the City. All work necessary for restoration of the leased premises has been completed except for the removal of the jet fuel tank (Tank).

The cost for removal of the Tank, restoration of the Tank site and salvaging of the excavated Tank improvements is estimated at approximately \$55,000. Because of the damage caused to the Tank upon removal, there is no resale value for the improvements. The improvements are salvaged and the salvage value received is included in determining the cost estimate for removal. In lieu of removing the Tank, the Landlord has agreed to accept responsibility for the Tank in its "as-is" condition with no

HONORABLE MAYOR AND CITY COUNCIL

October 21, 2008

Page 2

warranties or representations. Additionally, the Landlord has agreed to assume all responsibility for any and all surface and subsurface environmental remediation associated with the Tank. Soil testing indicates that there is no contamination at this time. Additionally, conveyance of the Tank to the Landlord would provide for an early termination of the Lease retroactive to September 30, 2008. The Lease will terminate on November 30, 2008, thus providing a two-month rental cost savings for the City of approximately \$23,500. Because the salvage value of the Tank is minimal, conveyance of the Tank to the Landlord coupled with early termination of the Lease would provide a total cost savings of approximately \$78,500 for the City.

The proposed termination agreement would contain the following major terms and provisions:

- Landlord: Olen Commercial Realty Corp., a Nevada corporation.
- Tenant: City of Long Beach.
- Premises: 3501 N. Lakewood Boulevard.
- Rent: The Lease shall be terminated effective September 30, 2008. Tenant has completed all financial and non-monetary obligations as outlined under the provisions of the Lease.
- Restoration: Tenant has vacated and surrendered the Premises to Landlord, including the removal of all vehicles, equipment, supplies and related debris; removal of all structures and/or improvements located or erected by Tenant during the tenancy; removal of all trash, debris and trash containers; removal of all signage; and removal of all other above ground materials so as to restore the Premises.
- Improvements: Landlord shall assume all legal and environmental responsibility for the jet fuel tank and associated improvements erected on the premises by the Tenant. Landlord shall assume the jet fuel tank and associated improvements "as-is" with no warranties or representations as to condition. Landlord has conducted an inspection of the jet fuel tank and associated improvements and agrees to release the Tenant from any and all future liability. Tenant will not be responsible for taking invasive below ground clean-up measures.

This letter was reviewed by Deputy City Attorney Gary Anderson on September 25, 2008, and Budget Management Officer Victoria Bell on October 1, 2008.

TIMING CONSIDERATIONS

City Council action is requested on October 21, 2008 in order to formalize the termination of Lease No. 25952.

FISCAL IMPACT

Since Olen Properties will assume responsibility for the jet fuel tank from the City, a cost avoidance of approximately \$55,000 will result. Savings from early termination of the lease of approximately \$23,500 will be realized in the General Fund (GP) in the Police Department (PD).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



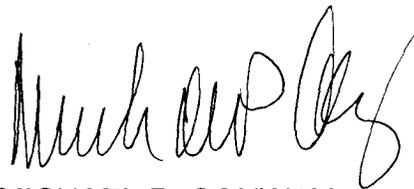
CHRIS KUNZE
ACTING DIRECTOR
LONG BEACH AIRPORT



ANTHONY W. BATTS
CHIEF OF POLICE

MPC:AWB:CK:jmlr

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MICHAEL P. CONWAY
DIRECTOR
PUBLIC WORKS

APPROVED:



PATRICK H. WEST
CITY MANAGER