

C-15

October 18, 2022

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for an Amended and Restated Lease with Bonseph Long Beach, LLC, a Delaware limited liability company, for City-owned property at 3605 East Spring Street at the Long Beach Airport. (Districts 4, 5)

DISCUSSION

On March 27, 1997, the City Council authorized the execution of Amended and Restated Fixed Base Operation Lease No. 7891 (Lease) with Fuel Controls, Inc. (FCI), for City-owned property at 3605 East Spring Street (Leased Premises) at the Long Beach Airport (Airport) for aviation purposes. The Lease was amended three times, most recently in December 2020 to extend the term through January 31, 2031.

The Leased Premises historically provided fixed-base operator services. In 1990, the site was primarily subleased to Federal Express (FedEx) for its operations. FedEx terminated its sublease and vacated the Leased Premises in early 2022. In July 2022, FCI assigned its interest in the Leased Premises to Bonseph Long Beach, LLC (Bonseph). Bonseph is an experienced developer in the aviation industry with similar completed developments at airports in California and Texas. Bonseph has hired Aeroplex Group Partners (AGP) as the project and property manager. AGP is affiliated with Aerolease Long Beach, a long standing fixed-based operator at the Airport.

Since acquiring the Leased Premises, Bonseph has formalized a plan for the redevelopment of the site. The plan includes the construction of hangar buildings and associated private aviation terminals, office space, and parking with an estimated \$20 million investment, including roof-top solar and energy efficient improvements. Bonseph's desire to invest is timely as economic recovery continues and the Airport emerges from the challenges of the pandemic. The redevelopment of the Leased Premises will modernize and revitalize the southeast gateway of the Airport's Spring Street aviation business corridor.

The current Lease lacks sufficient term to amortize the proposed level of investment. The requested term and capital investment have been reviewed and substantiated by the Airport's financial consultant. An Amended and Restated Lease has been negotiated containing the following major terms and provisions:

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- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Bonseph Long Beach, LLC, a Delaware limited liability company.
- Leased Premises: Approximately 7.5 acres at 3605 East Spring Street.
- Lease Term: The lease term will be extended approximately 32 years through January 31, 2063. This provides a 40-year term for the amortization of the investment for the redevelopment and operation of the Leased Premises.
- Use: The Leased Premises will be used for aviation purposes permitted under the Long Beach Airport Minimum Standards for Aeronautical Activities.
- Monthly Base Rent: The initial monthly base rent for the Leased Premises will be \$23,351 per month.
- Annual Rental Adjustment: The Monthly Base Rent for the Leased Premises will be subject to annual increases at each anniversary of the Effective Date based on the Consumer Price Index (CPI). In no event will the annual increase be less than two percent per year nor more than seven percent per year.
- Fair Market Value Adjustment: The Monthly Base Rent will be adjusted to a fair market rental rate every five years throughout the term beginning on the fifth year after the Effective Date. In no event will the Monthly Base Rent adjusted through this process be less than the amount payable immediately prior to the adjustment.
- Minimum Capital Investment: Tenant will be required to invest a minimum of \$20.4 million in capital improvements to the Leased Premises.
- Maintenance: Tenant will be solely responsible for maintaining the Leased Premises in a first-class condition throughout the term.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on September 26, 2022 and by Budget Analysis Officer Greg Sorensen on September 30, 2022.

TIMING CONSIDERATIONS

City Council action is requested on October 18, 2022, to execute the Amended and Restated Lease in a timely manner to initiate redevelopment of the site.


FISCAL IMPACT

Under the Amended and Restated Lease, the City will continue to receive annual lease revenues in the amount of \$280,212 (\$23,351 per month). The revenue shall accrue to the Airport Fund Group in the Airport Department and be subject to annual CPI adjustments and periodic fair market adjustments. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. It is anticipated that the Amended and Restated Lease will have a positive impact on the local job market.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

APPROVED:



THOMAS B. MODICA
CITY MANAGER