



CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (213) 590-6841

April 21, 1981

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

Subject: Lease Option Agreement with Signal Development Corporation
and Carlton, Browne and Company, Inc.

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CITY OF LONG BEACH
LONG BEACH, CALIFORNIA

On August 12, 1980, the City Council authorized staff to negotiate a lease for development of a 50-acre portion of airport property. Negotiations have produced the attached lease/option agreement for your consideration. It should be noted that the agreement is essentially a business document. Environmental and design issues are to be reviewed when the PD-2 zoning ordinance is presented for your approval. A summary of basic business terms is as follows:

- (1) Parties to the Agreement - The City and a joint venture consisting of Signal Development Corporation and Carlton Browne and Company. For financing purposes, the joint venture may associate with other entities providing the original partnership continues to develop, manage and operate the project.
- (2) Basic Term - The term of lease shall commence upon recordation of a final tract map, or December 1, 1982, whichever is sooner, and continue for 50 years thereafter.
- (3) Option Payment - From the date of execution, Developer shall pay City a \$5,000/month option payment which shall increase to \$16,700/month on October 1, 1981, or approval of a tentative tract map and PD-2 zoning ordinance, and remain at this level until commencement of the lease.
- (4) Rent - Basic rental payment shall be:
 - a. First Year: \$200,000
 - b. Second Year: \$400,000
 - c. Third Year: \$600,000
 - d. Fourth through Fourteenth Years: \$800,000
 - e. Adjusted year 15 and every five years thereafter at annual rate of Consumer Price Index or 8%, whichever is less. Assuming the index does not fall below 8%, projected rent over the life of the lease is \$102,640,000.
- (5) Rent Adjustments - Adjustments to the rent are authorized if the Developer is unable to secure discretionary permits necessary to construct the scale of development originally proposed, or is subject to discretionary conditions by the City over those contemplated in the PD-2 zoning ordinance which cause increased costs. Excluded are conditions imposed by

federal, state or other governmental agencies. In addition, this provision shall apply if the airport is closed or its use modified to the detriment of aviation dependent uses. However, in computing such adjustments consideration shall be given to the economic benefit of alternative uses for the impacted property together with improved performance of other portions of the development.

- (6) Developer/Lender Rights - The lease contains provisions to allow encumbrance by mortgage and authorize a lender to assume the Developer's lease position in event of foreclosure.
- (5) Assignment and Subletting - With City approval, the Developer may assign, transfer or sublet its interest. Developer shall also have the right to sell condominium units, buildings or other improvements.
- (6) Indemnity, Insurance, Casualty Damage - Developer shall defend, protect, indemnify and hold harmless the City, its officers, agents and employees; also provide liability insurance of at least \$1,500,000, fire and extended coverage.
- (7) Scope of Development - A minimum scope of development shall include 38,333 square feet of restaurant/financial space, 197,498 square feet of garden office, a hotel of 200 rooms, 89,951 square feet of airport office, 211,039 square feet of multi-use space and 150 single engine aircraft tie-down space. A preliminary estimate of development value is \$60 million.
- (8) Government Use, Control, Taxes and Condemnation - The project shall comply with local codes, ordinances, zoning and FAA requirements. Standard condemnation provisions are included and the Developer is responsible for all taxes and assessments.
- (9) Termination - The Developer may terminate if:
 - a. there are unacceptable engineering soil tests, development cost estimates, survey or title reports, within 90 days of agreement execution;
 - b. failure of City to approve a tentative tract;
 - c. failure to obtain proper zoning;
 - d. City failure to perform its obligations under lease.

The City may terminate if:

- a. Developer fails to construct improvements;
 - b. Developer does not provide good faith deposit;
 - c. Developer assigns lease without City approval;
 - d. Developer bankruptcy.
- (10) Lease Expiration - At lease expiration, Developer may enter into a new lease at a value established by the City. Developer may salvage all or a portion of the improvement leaving those remaining in a safe and economically usable condition. All remaining improvements become City property.

Honorable Mayor and City Council
April 21, 1981
Page 3

- (11) Good Faith Deposit - Upon execution of the agreement, Developer shall deliver a good faith deposit of \$800,000 to City as security for performance.

Content of the agreement has been reviewed by staff of the City Attorney.

Recommended Action

It is recommended that your Honorable Body authorize execution of the lease/option agreement by the City Manager.



DAVID N. LUND, Director
Community Development

DNL:rj

APPROVED.....



CITY MANAGER

Exhibit "A"

