



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-15

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

April 3, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Second Amendment to Lease No. 19380 with McDonnell Douglas Corporation, a Maryland corporation, for City-owned property at the Long Beach Airport at the northwest corner of E. Wardlow Road and Globemaster Way for an extended five-year, five-day term. (District 5)

DISCUSSION

On June 10, 1986, the City Council authorized the execution of Lease No. 19380 (Lease) between the City of Long Beach and the McDonnell Douglas Corporation (MDC-Boeing) for a twenty-year term for the use of City-owned property at the northwest corner of E. Wardlow Road and Globemaster Way (see Attachment) to be used primarily for employee parking for the C-17 aircraft-manufacturing program. On December 29, 1987, the City Council approved the First Amendment to Lease No. 19380 providing for a corrected legal description of the leased premises.

The Lease terminated on January 26, 2007, and MDC-Boeing remains on the leased premises on a month-to-month holdover status. Under the provisions of the Lease, MDC-Boeing may extend the term for up to three additional periods of 10 years each totaling 30 years and may terminate the Lease upon one-year prior written notice. However, due to the unknown longevity of the C-17 aircraft-manufacturing program, MDC-Boeing has requested shorter lease extension terms comprised of six periods of 5 years each totaling 30 years and a shorter, six-month termination period to address unforeseen circumstances.

In an effort to accommodate the needs of the C-17 aircraft-manufacturing program, a Second Amendment to Lease No. 19380 has been negotiated with the following major terms and provisions:

- Lease Term: The term of the Lease shall be extended for a five-year, five-day period and will terminate on January 31, 2012.

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- Options to Extend: The term of the Lease may be further extended for up to five consecutive 5-year terms.
- Premises: The legal description of the leased premises is amended due to the extension in 1994 of 36th Street east of Cherry Avenue and the subsequent creation of Globemaster Way. The leased premises shall measure approximately 11.534 acres or 502,421 square feet.
- Rent: As per the terms of the Lease, the new monthly base rent shall be determined by fair market value and shall be retroactive to February 1, 2007. Subsequent annual base rent adjustments shall be based on the Consumer Price Index but shall not exceed five percent. Fair market value reappraisals of the monthly base rent shall be required every five years.
- Termination of Lease: MDC-Boeing may terminate the Lease upon six-months prior written notice to the City due to economic or government policy changes affecting the C-17 aircraft-manufacturing program.

Further, since the original Lease was executed in 1987, as customary, the insurance language will be updated and language addressing the use of hazardous materials will be included.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on February 27, 2007 and Budget and Performance Management Bureau Manager David Wodynski on March 1, 2007.

TIMING CONSIDERATIONS

City Council action is requested on April 3, 2007, to execute the Second Amendment in a timely manner so as to begin the base rent reappraisal process and formalize MDC-Boeing's continued occupancy of the leased premises.

FISCAL IMPACT

The current monthly base rent is \$42,164 and shall increase retroactive to February 1, 2007 following a reappraisal of the leased premises based on the fair market rental rate.

Annual base rent payments of at minimum \$505,968 shall continue to accrue to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW). There is no impact to the General Fund.

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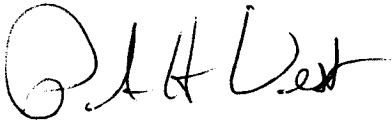
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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF
COMMUNITY DEVELOPMENT

PHW::CFA:JMLR:lel
4.3.07 CC Ltr 2nd Amend.Boeing
Attachment



CHRISTINE F. ANDERSEN
DIRECTOR OF
PUBLIC WORKS

APPROVED:



GERALD R. MILLER
CITY MANAGER



CITY OF LONG BEACH - CALIFORNIA
DEPARTMENT OF PUBLIC WORKS, ENGINEERING BUREAU

Vicinity Map for
McDonnell Douglas Corporation Lease No.19380
At Long Beach Airport