



CITY OF LONG BEACH

R-20

LONG BEACH AIRPORT

4100 East Donald Douglas Drive • Long Beach, CA 90808 • (562) 570-2619 • Fax (562) 570-2601

May 20, 2014

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for a new lease with Cinema Aircraft Executive Transportation, LLC, a Delaware limited liability company, for the continued lease of City-owned property at 4301 Donald Douglas Drive at the Long Beach Airport. (District 5)

DISCUSSION

In November 1987, the City Council authorized the execution of Lease No. 20064 for a 25-year term with Long Beach Aviation Building (LBAB) for the construction of 48 condominium hangars and a flight school. In May 1994, the City Council authorized the First Amendment to provide for an option to extend the term for an additional 15-year period. In July 1999, the City Council authorized the Second Amendment to increase the leased premises with an additional 0.55-acre parcel.

In October 2005, LBAB executed a sublease with Cinema Aircraft Executive Transportation (Cinema) for Parcels 2 and 3 of the leased premises (Attachment), which included an option to purchase LBAB's leasehold interest in Parcels 2 and 3. In December 2006, Cinema exercised its option, an Assignment of Lease was executed and recorded between the parties, and Lease No. 20064 was subdivided, thus creating two leases with the same terms and conditions; Lease No. 20064 for Parcel 1 with LBAB and a separate lease for Parcels 2 and 3 for Cinema.

The initial term of the leases expired on December 31, 2012. Under the provisions of the leases, LBAB and Cinema were required to notify the City in writing of their intent to exercise their respective options to extend the terms of the leases for an additional 15-year period through December 31, 2027. LBAB exercised their option, but no notification was received from Cinema. As a result, Cinema's lease converted to a month-to-month agreement on January 1, 2013. Thereafter, Cinema has remained a tenant in good standing, has paid its monthly rent on time and has continued to provide a modernized hangar on the Airport campus.

In January 2014, Airport staff received a request on behalf of Cinema for a copy of its lease memorializing its lease extension. Upon further discussions, Cinema claimed to have exercised its extension option; however, no evidence of receipt by the City of said notification was found. In addition, it was discovered that a separate lease document

HONORABLE MAYOR AND CITY COUNCIL

May 20, 2014

Page 2

was not administratively created for Cinema in 2006 when the leases were subdivided. Cinema's leasehold interest has been recognized by the City through the recorded Assignment of Lease.

Cinema has requested that the City retroactively honor its desire to extend the term of its lease, as it has an outstanding \$3 million loan on the improvements to the property based on the provisions of the lease. Airport staff is in support of their request in order to prevent Cinema from defaulting on its loan and to continue to maintain a tenant in good standing that is providing aviation related services to the Airport. Further, the extension would make the Lease coterminous with the LBAB lease and provide for a more marketable property in the future upon termination of the respective leases.

Because the lease with Cinema has terminated and is on a month-to-month agreement, the City is requesting City Council approval for the creation of a lease document that would memorialize the 2006 subdivision of Lease No. 20064. The new lease document would also memorialize the extended lease term, provide for a separate document to be conformed with the City Clerk and assigned its own contract number, and contain the following major terms and conditions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Cinema Aircraft Executive Transportation, a Delaware limited liability company.
- Premises: The leased premises shall consist of approximately 0.877 acres of land (also known as Parcels 2 and 3) located at 4301 Donald Douglas Drive, at the Long Beach Airport.
- Term: The initial 25-year term of the lease shall be extended for an additional 15 years and shall terminate on December 31, 2027.
- Options to Renew: Tenant shall have no further options to extend the term of the lease.
- Rent: The current monthly base rent of \$2,479.17 shall increase to \$2,613 per month, retroactive to January 1, 2013. The monthly base rent shall be adjusted every five years thereafter to provide for a market rate adjustment.

All remaining terms and provisions of the current month-to-month agreement shall be restated in the new lease document and shall remain in full force and effect. This includes customary lease language for City-owned property at the Long Beach Airport, insurance and indemnification.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Management Officer Victoria Bell on May 9, 2014.

TIMING CONSIDERATIONS

City Council action on this matter is requested on May 20, 2014, to allow for the timely execution of the agreement.

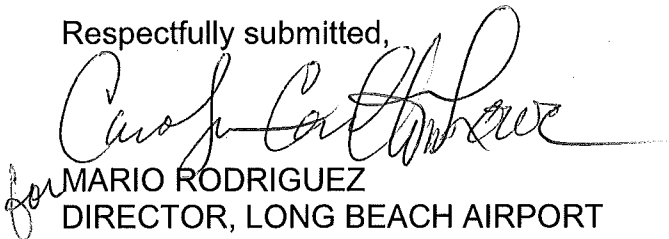
FISCAL IMPACT

Annual revenues of \$29,750 will increase to \$31,356 and will continue to accrue to the Airport Fund (EF 320) in the Long Beach Airport Department (AP). Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


for MARIO RODRIGUEZ
DIRECTOR, LONG BEACH AIRPORT


MICHAEL P. CONWAY
DIRECTOR OF BUSINESS
AND PROPERTY DEVELOPMENT

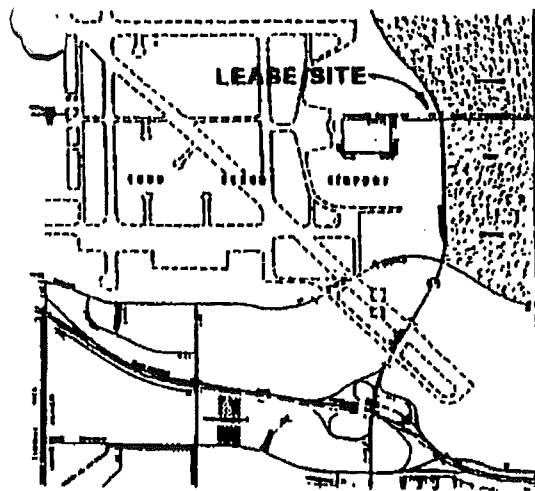
MR:CL:JLR:JS:km
S\CL\Cinema Aircraft.rev7.doc

Attachment

APPROVED:


PATRICK H. WEST
CITY MANAGER

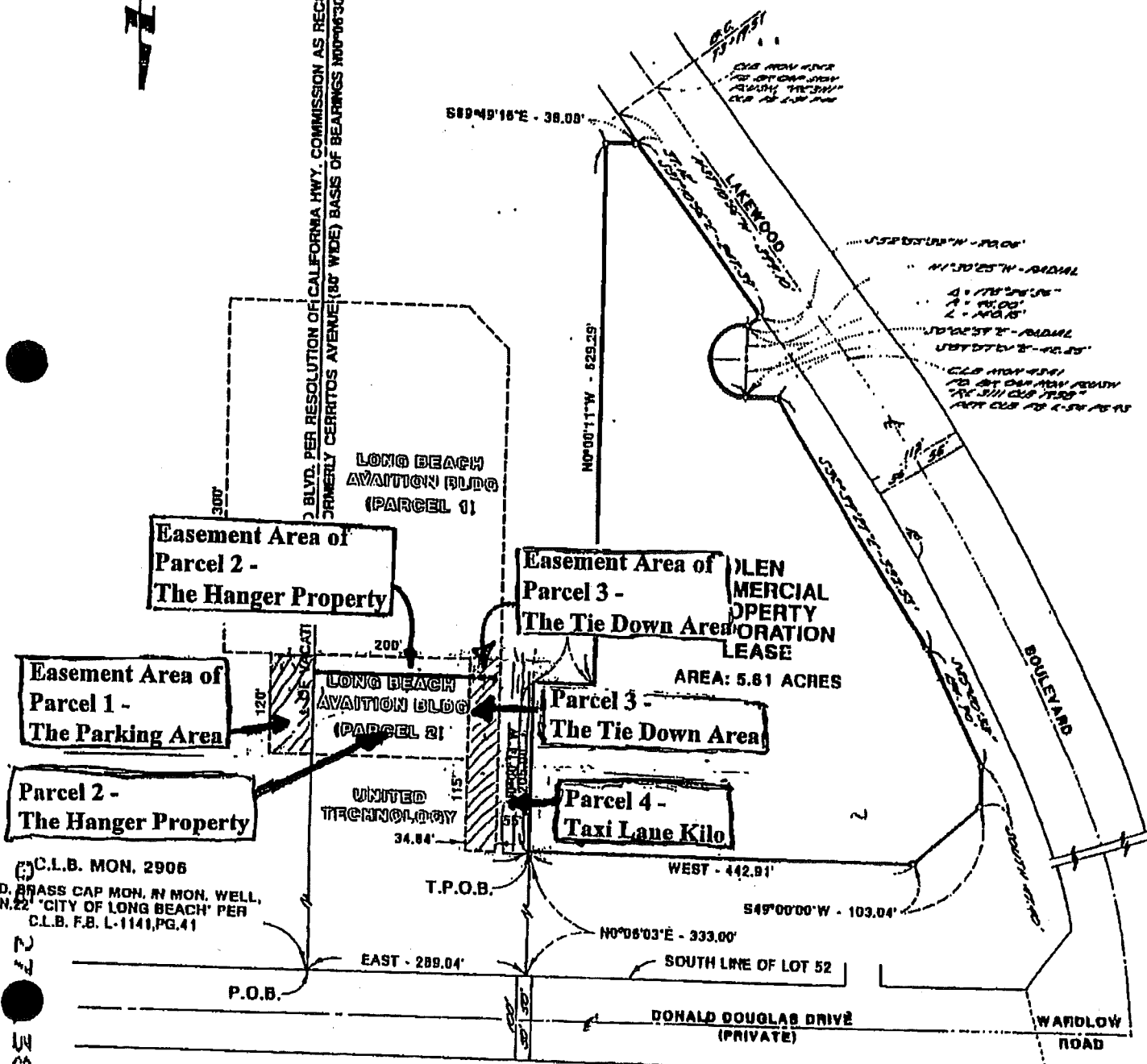
EXHIBIT "A"



VICINITY MAP
NO SCALE



2. BLVD. PER RESOLUTION OF CALIFORNIA HWY. COMMISSION AS RECORDED DOC. 3601, 5-19-59
FORMERLY CERRITOS AVENUE (80' WIDE) BASIS OF BEARINGS N00°06'30"E



ATTACHMENT

C.L.B. MON. 2906
FD. BRASS CAP MON. IN MON. WELL,
DN. 22 "CITY OF LONG BEACH" PER
C.L.B. F.B. L-1141, PG. 41

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569