



CITY OF LONG BEACH

C-13

LONG BEACH AIRPORT

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

May 2, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to bifurcate Lease No. 20556 by executing all documents necessary for an Amended and Restated Lease between the City of Long Beach and Airspace, LLC, a Delaware limited liability company, for City-owned property consisting of Parcels 1 and 4 located at 4310 Donald Douglas Drive at the Long Beach Airport; and, executing all documents necessary for an Amended and Restated Lease between the City of Long Beach and Brahma Properties, LLC, a California limited liability company, for City-owned property consisting of Parcel 3 located at 4310 Donald Douglas Drive at the Long Beach Airport. (District 5)

DISCUSSION

On November 15, 1988, the City Council authorized the execution of a 40-year Fixed Base Operation Lease No. 20556 (Lease) with Petrowings Limited, predecessor in interest to Airspace, LLC (Airspace), for approximately 3.56 acres (AC) of land for the development of aviation-related facilities at 4310 Donald Douglas Drive at the Long Beach Airport (Airport). The Lease, originally consisting of Parcels 1 through 3, was amended in 2000 to modify the leased premises to Parcels 1, 3 and 4.

In 2003, as allowed under the terms of the Lease, the City consented to the assignment of Parcel 3, consisting of the fuel farm, to Brahma Properties (Brahma). This action intended to bifurcate the Lease into two leases; however, this intended action was never completed. Consequently, there is one lease with two separate tenants. Parcel 3 is currently subleased to Airspace for use with its operations. Airspace operates the JFI JetCenter on Parcels 1 and 4 (3.35 AC), containing approximately 40,900 square feet (SF) of aircraft hangar space and 19,700 SF of office space (Attachment). The Lease will terminate on November 30, 2028.

On October 2, 2001, the City Council authorized the execution of Amended and Restated Lease No. 30740 with the County of Los Angeles (County) for approximately four acres of property at 3235 Lakewood Boulevard at the Airport for the Los Angeles County Sheriff Aero Bureau (Aero Bureau). The Aero Bureau performs public safety patrol functions and rescue operations for the entire County, including cooperative efforts with the City's Police

and Fire Departments. This lease will terminate on October 12, 2018; however, the County's lease provides the right to cancel the lease at any time by providing 90-days' prior written notification to the City.

The County's existing leasehold lacks sufficient office and hangar space to fully support its current operations. Consequently, the County has been subleasing additional office and hangar space at the JFI JetCenter to meet its needs. As the County's current lease nears termination, they are seeking to secure a single location with sufficient office and hangar space for long-term, continued occupancy at the Airport. As such, the County commenced negotiations with Airspace to expand the Aero Bureau's presence within the JFI JetCenter.

The County and Airspace have come to an agreement on a proposed sublease wherein the County would sublease from Airspace all the hangar space (40,900 SF) and approximately 17,200 SF of the office space within the JFI JetCenter. Airspace would retain 2,500 SF of office space for its continued use and operations. The County is seeking a long-term sublease from Airspace of 20 years. As noted earlier, Lease No. 20556 will terminate in 2028. The County and Airspace have requested consideration from the City for a ten-year lease extension for Parcels 1 and 4, so that the County can execute a sublease with Airspace to occupy approximately 96 percent of the JFI JetCenter and secure the County's long-term occupancy at the Airport.

Both Airspace and Brahma currently exist as co-tenants under the same Lease. A bifurcation of the Lease is required to create two separate leases so that the terms negotiated with Airspace will only apply to the Airspace portion of the current leasehold.

The proposed Amended and Restated Lease for Airspace will generally contain the same provisions as the original Lease, except for modifications to the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Airspace LLC, a Delaware limited liability company.
- Leased Premises: Parcels 1 and 4 at 4310 Donald Douglas Drive at the Long Beach Airport.
- Term: The Lease shall be extended for an additional ten-year period and shall terminate on November 30, 2038. The extended term is contingent on the execution of a sublease between Airspace, as Sublandlord, and the County of Los Angeles, as Subtenant.
- Use: Effective 90 days following the commencement date of the Amended and Restated Lease, the allowable uses for the Leased Premises shall be subject to the Long Beach Airport Minimum Standards for Aeronautical Activities dated January

2008. The Leased Premises shall no longer qualify as a Fixed Base Operator and Tenant may no longer provide services to transient aircraft at the Airport. This modification reflects the intended use, and it supports the Airport's efforts to align permitted uses based on leasehold area size.

- Rental Adjustment: The rent shall continue to be adjusted every ten years based on the then fair market value of the land and rate of return, as outlined in the lease. The next rent adjustment processes will occur on December 1, 2018 and again on December 1, 2028 at the beginning of the extended term.
- Removal of Improvements: Upon expiration of the Lease, or other termination as allowed, all improvements on the Leased Premises shall immediately become the property of the City of Long Beach, Long Beach Airport Department. Tenant shall be responsible for removing its personal property including, but not limited to, its furniture, fixtures and equipment.
- Capital Improvements: Tenant shall guarantee Capital Improvements to the Leased Premises prior to the extended term of the Lease at a minimum cost of \$600,000. As-built construction plans and specifications of the completed Capital Improvements shall be submitted to the Airport Director within 60 days of completion.

The proposed Amended and Restated Lease for Brahma will generally contain the same provisions as the original Lease, except for modifications to the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Brahma Properties, LLC, a California limited liability company.
- Leased Premises: Parcel 3 at 4310 Donald Douglas Drive at the Long Beach Airport and shall include a non-exclusive irrevocable license to use the access roadway located on Parcel 1 for access to Parcel 3.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 4, 2017 and by Revenue Management Officer Geraldine Alejo on April 19, 2017.

TIMING CONSIDERATIONS

City Council approval of the Amended and Restated Lease with Airspace is required before the County Board of Supervisors will consider approval of the sublease with Airspace for the relocation of the Aero Bureau. City Council action is requested on May 2, 2017, to allow the County Board of Supervisors to consider its action at its next available meeting.


FISCAL IMPACT

Annual lease revenues of approximately \$148,030 shall continue to accrue in the Airport Fund (EF 320) in the Airport Department (AP). Annual revenues shall continue to be subject to periodic rental adjustments based on market value and rate of return as outlined in the Lease terms. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

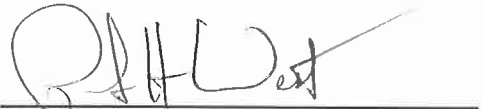
A handwritten signature in blue ink, appearing to read "Jess L. Romo".

JESS L. ROMO, A.A.E.
DIRECTOR, LONG BEACH AIRPORT

JR:JLR:km
S:\CL\Airspace.Amend&Restated.Lease.v3

Attachment

APPROVED:

A handwritten signature in black ink, appearing to read "Patrick H. West".

PATRICK H. WEST
CITY MANAGER

LOT A

ATTACHMENT

DONALD DOUGLAS DR.

BARBARA LONDON DR.

AIRSPACE

**PARCEL 1
3.11 ACRES**

**PARCEL 3
0.37 ACRES
BRAHMA**

PARCEL 4= 0.24 ACRES



**long beach
airport**
where the going is easy®

CITY OF LONG BEACH - CALIFORNIA

AIRSPACE, LLC

4310 Donald Douglas Drive

