



CITY OF LONG BEACH

C-9

LONG BEACH AIRPORT

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June 12, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. RFP AP17-128 and authorize the City Manager, or designee, to execute all documents necessary for Amended and Restated Ground Lease No. 19331 with LGB CA Holdings, LLC, dba Ross Aviation, a Delaware limited liability company, for City-owned property at the Long Beach Airport. (District 5)

DISCUSSION

On January 20, 1987, the City Council authorized the execution of Fixed Base Operator (FBO) Lease No. 19331 (Lease) with Airflite, predecessor-in-interest to Ross Aviation, for the development of 12.16 acres of land (Existing Premises) at the Long Beach Airport (Airport) for a term of 40 years. Ross Aviation currently provides FBO services for general aviation, including aircraft hangars, aircraft tie-downs, the sale of fuel for based and transient aircraft, and the leasing of office space and meeting facilities. The existing term of the Lease, including all remaining options to extend, is scheduled to terminate on January 20, 2027. The current rental amount for the Existing Premises is \$32,442 per month.

A Request for Proposals (RFP) was advertised in the Long Beach Press-Telegram on August 23, 2017, to solicit proposals for the development of all or portions of approximately 31 acres of City-owned property at the Airport for aeronautical purposes, and 8,379 potential proposers were notified of the opportunity. Of those proposers, 165 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority, and women-owned business groups. Two proposals were received on November 1, 2017. Of the two proposers, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), or certified Small Business Enterprises (SBEs), and two were Long Beach businesses (Local).

HONORABLE MAYOR AND CITY COUNCIL

June 12, 2018

Page 2

In response to the RFP, Ross Aviation proposed to develop a common storage hangar and make other improvements on 3.17 acres (Parcel C), which it currently leases under a month-to-month Commercial Use Permit with the Airport. The proposal included a request for a 30-year term as well as an extension of the term of their existing lease, to allow for it to run coterminous with Parcel C.

A selection committee comprised of representatives from the Airport determined that Ross Aviation (Local) was qualified to develop Parcel C based on their experience with comparable developments. Ross Aviation demonstrated strong operational fundamentals with excellent customer service, a vision that will enhance the Airport's appeal to aeronautical users, and a concept that contributes to the Airport's role as an economic engine for the City and the region. Subsequently, the panel determined Ross Aviation best met the Airport's needs to develop Parcel C.

On March 5, 2018, the City issued a Notice of Intent to Award to Ross Aviation for the development and operation of Parcel C, contingent upon the successful negotiation of a long-term ground lease and attainment of all necessary regulatory approvals. The proposed development is conceptual in nature only and remains expressly subject to the preparation, review, and approval of (i) a specific development plan for Parcel C; (ii) appropriate documentation required under the California Environmental Quality Act (CEQA) applicable to the proposed project on Parcel C; and, (iii) an entitlements application with respect to such project. The requested action hereunder does not constitute a review or approval by the City of a development plan, environmental review, an entitlements application, or any other regulatory requirement applicable to Parcel C or any proposed project thereon, and the City retains full discretion to impose mitigation measures, make modifications to the proposed development, to consider alternatives to the proposed development, and to disapprove the proposed development.

Negotiations between staff and Ross Aviation have resulted in a proposed new Amended and Restated Ground Lease No. 19931 containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: LGB CA Holdings, LLC, a Delaware limited liability company, doing business as Ross Aviation.
- Leased Premises: 15.33 acres of land consisting of 12.16 acres of Existing Premises and an additional 3.17 acres (Parcel C) located immediately southeast of the corner of East Wardlow Road and Airflite Way at the Long Beach Airport.
- Term: The Lease for the Leased Premises shall be for 31 years from the Commencement Date, which is to occur upon the mutual execution of the agreement by Landlord and Tenant. Said term will provide for approximately 30 years of operation for the entire development assuming it takes one year for the completion of construction.

- Ground Rent: Effective on the Commencement Date, the initial Ground Rent for the Leased Premises shall be \$41,692 per month. The Ground Rent shall increase annually at each anniversary of the Commencement Date based on the Consumer Price Index (CPI); however, the increase shall be no less than 2 percent nor greater than 7 percent.
- Fair Market Rental Adjustments: Effective on the one-year anniversary of the Commencement Date, the Ground Rent for the Existing Premises shall be adjusted to a fair market rental rate. Effective on the six-year anniversary of the Commencement Date and every five years thereafter, the Ground Rent for the entirety of the Leased Premises shall be adjusted to a fair market rental rate. In no event, shall the Ground Rent be less than the amount payable during the previous year prior to the adjustment.
- Minimum Level of Capital Investment: Tenant shall be required to invest a minimum of \$4,000,000 in capital improvements to Parcel C.
- Ownership of Improvements: During the term of the Lease, title to all improvements constructed on Parcel C shall remain vested in Tenant and shall become the property of Landlord at the expiration of the term unless Landlord requires Tenant to remove said improvements. Title to all improvements on the Existing Premises shall remain vested in Tenant until January 20, 2027, which is the full term currently allowed under the Lease. At such time, said improvements (i.e., existing buildings and ramp) shall become the property of Landlord and Landlord shall be entitled to fair market building rent in addition to Ground Rent for the Existing Premises.

Local Business Outreach

In an effort to align with the City's outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the PlanetBids database to download the RFP specifications. Through outreach, 885 Long Beach firms were notified to submit proposals, of which 16 downloaded and 2 submitted a proposal.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 21, 2018 and by Budget Analysis Officer Julissa José-Murray on May 23, 2018.

TIMING CONSIDERATIONS

City Council action to adopt Specifications No. RFP AP17-128 is requested on June 12, 2018, to finalize and execute the Amended and Restated Ground Lease to facilitate the commencement of the development of Parcel C in a timely manner.

FISCAL IMPACT

The current annual lease revenue is \$389,304. The amended annual lease revenue will be \$500,304, an increase of \$111,000 annually. This revenue shall accrue in the Airport Fund (EF 320) in the Airport Department (AP), and shall be subject to annual CPI increases and periodic fair market adjustments. The estimated local job impact associated with this recommendation includes the creation of approximately 37 full-time jobs during the development phase and 10 new permanent jobs upon completion of construction.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



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



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:



PATRICK H. WEST
CITY MANAGER