



CITY OF LONG BEACH

C-22

LONG BEACH AIRPORT

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

August 8, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for the First Amendment to Lease No. 27628 (Parcel J9) and the First Amendment to Lease No. 27940 (Parcels J8A and J8B) with Pacific Jet Center, LLC, a California limited liability company, for City-owned property at 2601 East Spring Street at the Long Beach Airport. (District 5)

DISCUSSION

On April 1, 2015, Lease Nos. 27628 and 27940 (Leases) for the property at 2601 East Spring Street at the Long Beach Airport (Airport) were assigned to Tuncang Group, Inc., a California corporation (Tenant). A map showing the Leased Premises is attached. On March 22, 2017, Tenant filed for bankruptcy under Chapter 7 of Title 11 of the United States Code. Since receiving notification of the bankruptcy filing, City staff have been working with the City Attorney's office and outside bankruptcy counsel to recoup any and all outstanding amounts owed to the City under the terms of the Leases. The duly-appointed and acting Chapter 7 Trustee (Trustee) for the Tenant bankruptcy estate seeks to assign the Leases to Keith Furlong and David Parsons as Pacific Jet Center, LLC (PJC), secured creditors of the Tenant's estate.

Due to security concerns with the management of the property by the Tenant, the City sought to regain control of the leasehold and hire an operator to manage the property on its behalf. The Trustee opposed the City's attempt to regain control of the property. In an effort to compromise with the Trustee and avoid continued litigation, on July 11, 2017, the City Council, in closed session, authorized the City Attorney to seek an alternative resolution.

The City is amenable to the assignment of the Leases to PJC, subject to amendments to bring the leaseholds in line with the Airport's current minimum standards for aeronautical activities. The terms and rent amounts from the original lease agreements remain unchanged. The proposed amendments to the Leases will contain the following major terms and provisions:

First Amendment to Lease No. 27628 (Parcel J9)

- Tenant: Pacific Jet Center, LLC, a California limited liability company.
- Permitted Development: The leased premises shall only be used for aircraft parking in conjunction with the operations of the adjacent Parcel J8A and J8B leasehold.
- Aviation Related Uses: In case of any conflict between this Lease and the Master Ground Lease, the business terms of this Lease shall prevail as to aviation uses.

First Amendment to Lease No. 27940 (Parcel J8A and J8B)

- Tenant: Pacific Jet Center, LLC, a California limited liability company.
- Permitted Development: Effective ninety days following the assignment of this Lease to Tenant, Jet A fuel may not be stored on, or sold from, the leased premises and the existing Jet A fuel tank shall have been repurposed, removed, or abandoned-in-place as may be required by, and in accordance with, applicable law. Upon submission to the City of the appropriate documentation evidencing the fuel tank's repurposing, removal, or abandonment, Tenant shall be provided with a one-time rent credit of \$50,600. This credit is provided to assist with mitigating losses from the exclusion of Jet A fuel on a going forward basis.

Aviation gasoline may be stored on, or sold from, the leased premises to aircraft based at the leased premises and to non-based aircraft.

- Aviation Related Uses: In case of any conflict between this Lease and the Master Ground Lease, the business terms of this Lease shall prevail as to aviation uses.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Revenue Management Officer Geraldine Alejo on July 17, 2017.

TIMING CONSIDERATIONS

A hearing before the bankruptcy court has been scheduled for August 30, 2017. City Council action is requested on August 8, 2017, so the First Amendments to Lease Nos. 27628 and 27940 can be prepared for inclusion in the materials for the hearing.

FISCAL IMPACT


Annual revenues of approximately \$102,681 shall continue to accrue in the Airport Fund (EF 320) in the Airport Department (AP). There is no local job impact associated with this recommendation.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


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

JR:JLR:km
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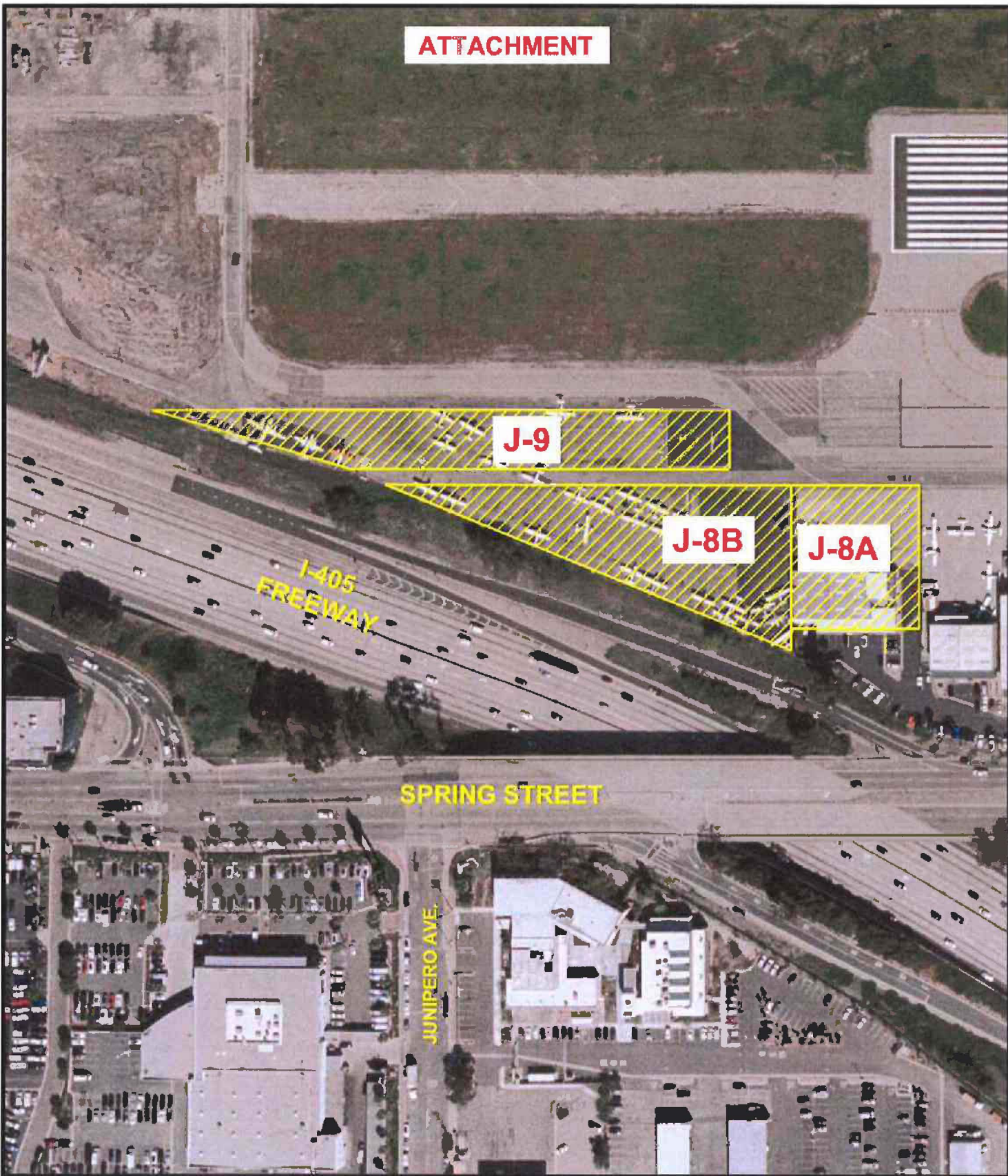
ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

ATTACHMENT



long beach
airport

where the going is easy™

LONG BEACH AIRPORT
PARCEL J-8A & J-8B/PARCEL J-9
2601 E. SPRING STREET

