

# CITY OF LONG BEACH

# R-26

OFFICE OF THE CITY MANAGER

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January 6, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the Eighth Amendment to Fixed Base Operation Lease No. 21569 between the City of Long Beach and Gulfstream Aerospace Corporation, a California corporation, for City-owned property at 4150 Donald Douglas Drive at the Long Beach Airport. (District 5)

## DISCUSSION

On December 22, 1987, the City Council authorized the execution of Fixed Base Operation Lease No. 21569 (Lease) with Gulfstream Aerospace Corporation (Gulfstream), successor in interest to 7701 Woodley Avenue Corporation, for City-owned property at 4150 Donald Douglas Drive (Leased Premises) at the Long Beach Airport (Airport). From this location, Gulfstream operates the only Gulfstream Service Center on the west coast of the United States, providing manufacturing and maintenance service and repairs to the growing number of Gulfstream jet aircraft in operation. Annually, Gulfstream services over 600 aircraft at the Leased Premises. The Leased Premises currently measures approximately 16.5 acres and there is no additional area to expand outside of its existing boundaries. Consequently, Gulfstream operates a 53,000 square foot (SF) paint hangar on subleased property at 3495 Lakewood Boulevard from another tenant at the Airport. Gulfstream is seeking additional leased space at the Airport to meet immediate demand for increasing aircraft services.

Lease No. 22055 with the Boeing Company (Boeing), for approximately six acres of land at 3521 E. Spring Street (Spring Street Site) at the Airport, will terminate on January 31, 2015 as part of the closure of the C-17 aircraft production program. Used by Boeing as a maintenance and repair facility for C-17 aircraft, the Spring Street Site is improved with a two-story office building, an aircraft hangar, and an aircraft parking ramp with direct access to the airfield. These imminently available facilities would serve to meet Gulfstream's immediate operational needs for additional space and serve to minimize negative impacts to the Airport community generated from a vacant aviation property.

City staff and Gulfstream have negotiated the proposed Eighth Amendment to Fixed Base Operation Lease No. 21569 containing the following major terms and provisions:

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- Landlord: City of Long Beach, a municipal corporation
- Tenant: Gulfstream Aerospace Corporation, a California corporation
- Leased Premises: Effective February 1, 2015, the Leased Premises shall include the six-acre Spring Street Site, located at 3521 East Spring Street, including all existing improvements in their "as-is" condition with no warranties, guarantees or assurances.
- Term: The Term of the Lease shall remain unchanged. The current term will expire on March 13, 2019. Tenant has two additional five-year options to further extend the Term through March 13, 2029.
- Rent: The base rent for the Spring Street Site shall be \$18,434 per month, the fair market value rent paid by Boeing. Subject to the Lease, the base rent shall be adjusted by a fair market appraisal in 2018, 2023 and 2028. A two-month free rent period for the Spring Street Site is proposed to assist with move and site preparation expenses. The proposed commencement date for the base rent is April 1, 2015.
- Termination Right: Tenant shall have the right during the Term of the Lease to terminate the Lease relative to the Spring Street Site upon at least nine months advance written notification. However, the effective date of the termination shall be no earlier than March 13, 2019. While the Spring Street Site will work to meet Tenant's immediate need, it will not accommodate anticipated future growth, and the Termination Right provides Tenant with the flexibility to lease a larger space if one were to come available in 2019 or thereafter.
- Restoration: Upon termination or expiration of the Lease relative to the Spring Street Site, Tenant shall return the Spring Street Site in substantially the same condition in which it was leased, reasonable wear and tear, and condemnation excepted. Tenant shall not be required to remove any improvements on the Spring Street Site constructed or installed after February 1, 2015, if approved to remain by the Landlord, in writing, prior to construction or installation.
- Roof Space: Tenant shall have the right, without rental or other charge, to use the roof to properly permit, install, operate and maintain telecommunications antennas, microwave dishes and other communications equipment for their operational uses. In no event, shall the Leased Premises be utilized for the installation of any wireless communication facilities with any third-party provider for subleased and/or revenue purposes.
- Security Deposit: The Security Deposit provision of the Lease shall be removed and any existing security deposit shall be returned to Tenant. Given the age of the Lease, this is no longer a common practice and other leases are amended similarly when an opportunity exists.

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The Eighth Amendment shall also include updated environmental release and indemnification language relative to Tenant's use of the Spring Street Site.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on December 10, 2014 and by Budget Management Officer Victoria Bell on December 17, 2014.

TIMING CONSIDERATIONS

City Council action on this matter is requested on January 6, 2015, in order to execute the Eighth Amendment in a timely manner to allow Gulfstream occupancy of the Spring Street Site on February 1, 2015.

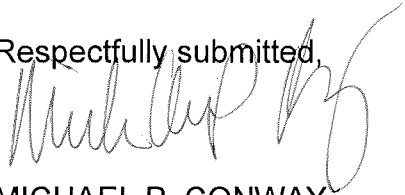
FISCAL IMPACT

The recommended action allows the Spring Street Site to remain occupied with no change in rent, but includes a one-time decrease in revenues in FY 15 of \$36,868 associated with the negotiated two-month free rent period. Annual revenues of \$184,340 shall accrue in FY 15 to the Airport Fund (EF 320) in the Long Beach Airport Department (AP). Annual revenues of \$221,208 shall accrue annually thereafter. Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY  
DIRECTOR OF ECONOMIC  
AND PROPERTY DEVELOPMENT




REGINALD I. HARRISON  
ACTING DIRECTOR  
LONG BEACH AIRPORT

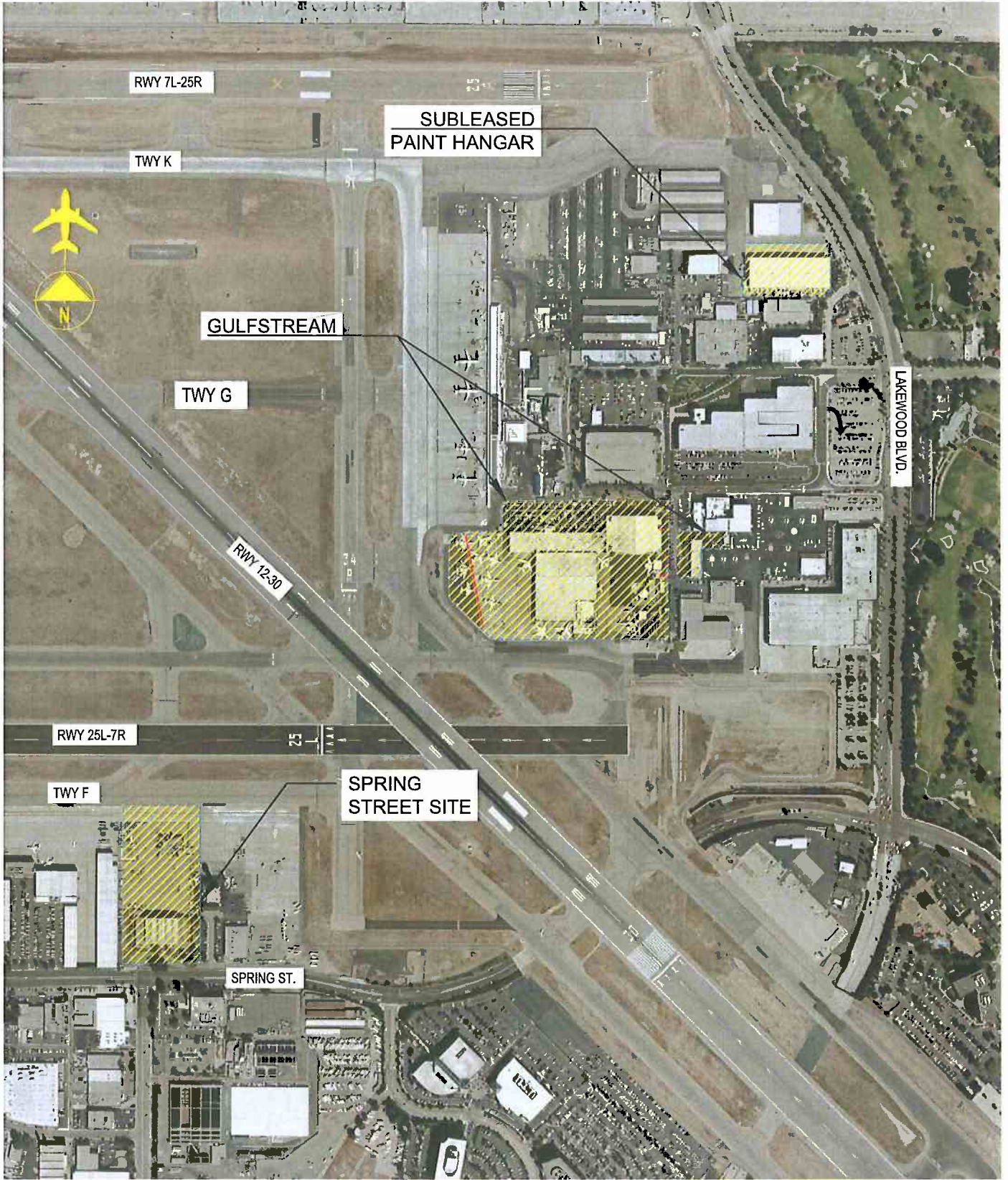
MPC:RIH:JMLR

Attachment

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER

# ATTACHMENT



S:\Leardina and Bugler\Projects\Engineering Requests From Leasing\Gulfstream Lease Area\Gulfstream20141201 Council Exhibit.dwg

S:\Leardina and Bugler

## Gulfstream Eighth Amendment

SCALE: NTS  
 DATE: 12-01-14  
 DRAWN BY: H.F.M.  
 CHECKED BY:

SHEET No. 1 OF 1  
 DRAWING NUMBER