



# CITY OF LONG BEACH

# R-20

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 21, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for a lease with Long Beach AirPark, LLC, a California limited liability company, for the development of approximately 1.23 acres of City-owned property at the Long Beach Airport, for a forty-year term, at the initial monthly rental rate of \$3,220. (District 5)

## DISCUSSION

The City of Long Beach is the owner of an undeveloped 1.23-acre parcel of land known as Parcel X-2 (Site), which is located on the southwest corner of the Long Beach Airport (Exhibit A).

In 2005, the City issued a Request for Qualifications (RFQ) for the development of an aviation-based project on the Site. The purpose of the RFQ was to elicit proposals from qualified developers with experience and financial strength/resources to develop the Site in a comprehensive manner. Of the six proposals received, five respondents were interviewed and Long Beach Airpark, LLC, (LBA) was selected as the prospective developer for the Site. Following the selection, LBA was required to obtain the necessary Federal Aviation Administration (FAA) approvals and further evaluate its business model. This process took approximately two years to complete.

On May 15, 2007, the City Council authorized the execution of an Exclusive Negotiating Agreement and Right of Entry Agreement between the City and LBA for the proposed development of Parcel X-2, for a one-year term through June 1, 2008. Subsequently, both parties executed the First Amendment to Agreement to Negotiate Exclusively, thereby extending the period of exclusive negotiations for an additional ninety-day period through September 1, 2008.

In an effort to facilitate the development and operation of the Site, a long-term lease has been negotiated with Long Beach Airpark, LLC. The proposed lease contains the following major terms and conditions:

- Lessor: City of Long Beach.

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- Lessee: Long Beach Airpark, LLC, a California limited liability company.
- Premises: The leased premises shall contain approximately 1.23 acres (53,660 square feet). The actual measurement of the area for development will be determined at the completion of the site investigation phase.
- Term: The Lease is structured into two phases as listed below:
  - Phase I (Site Investigation and Development) shall commence on the date that both parties execute the Lease and shall continue to the earlier date that is 18 months thereafter or the date the City issues a Certificate of Occupancy. Phase I is subject to an extension for up to twelve (12) additional months at the discretion of the City Manager.
  - Phase II (Utilization Phase) shall commence immediately after Phase I and shall continue for forty (40) years.
- Use: General aviation uses, as approved by the City's Zoning Officer and the Airport Director.
- Zoning: The Site is currently located within the General Industrial (IG) Zone and is subject to a variety of aviation uses and governed by the Airport Noise Compatibility Ordinance. The development has received a categorical exemption from the California Environmental Quality Act (CEQA), based on its meeting all of the conditions as an "In-Fill Development Project."
- Rent: Lessee shall pay a monthly rent in the amount equal to the square footage of the leased premises multiplied by \$0.06. Currently, the leased premises consist of 53,660 square feet; therefore, the initial monthly rent due shall be \$3,220. Upon completion of the site investigation phase and re-measurement of the Site, the monthly rent may be readjusted.
- Adjustments to Rent: Rent shall increase annually no more than five percent based on the Consumer Price Index (CPI) and shall be adjusted at ten-year intervals to reflect the fair market value and prevailing rate of return.
- Due Diligence: The Lessee shall complete all "due diligence" requirements during the site investigation phase, including all environmental testing and determining whether the Site is suitable for the proposed development project. Due to the current condition of the Site, the Lessee, on behalf of the City, shall be responsible for certain development costs, typically borne by the Lessor, such as surveying, development of a legal description and ensuring utility connections are available at the property line. Subsequently, eligible costs, as approved by the City, shall be taken as a rent credit at the negotiated interest rate of ten percent per annum.
- Improvements: The proposed development project shall include various aviation improvements such as aircraft hangars, paved taxi lanes, fencing, and lighting.

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Although the Site is relatively small, the development project will also address the need and provide for additional general aviation hangars at the Airport. All improvements shall be the property of the Lessee for the term of the Lease and shall revert back to the City at the expiration or earlier termination of the Lease.

- Subdivided Lease: Upon completion of the Improvements, it is the intention for the City to enter into one additional separate lease with Tom Jacobson, or one of his affiliate companies, for a portion of the developed premises under the same terms and conditions as the current lease between City and Lessee.
- Option to Renew: Lessee shall have one ten-year option to renew the Lease upon the mutual written agreement of the Lessor and Lessee.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on September 29, 2008 and Budget Management Officer Victoria Bell on October 3, 2008.

TIMING CONSIDERATIONS

City Council action is requested on October 21, 2008 in order to formalize an agreement for the development and operation of the Site.

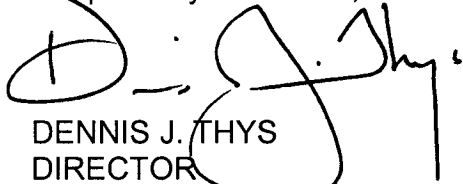
FISCAL IMPACT

Annual revenues of approximately \$38,640 will accrue to the Airport Enterprise Fund (EF 320) at the Long Beach Airport (AP). There is no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS  
DIRECTOR  
DEPARTMENT OF COMMUNITY DEVELOPMENT

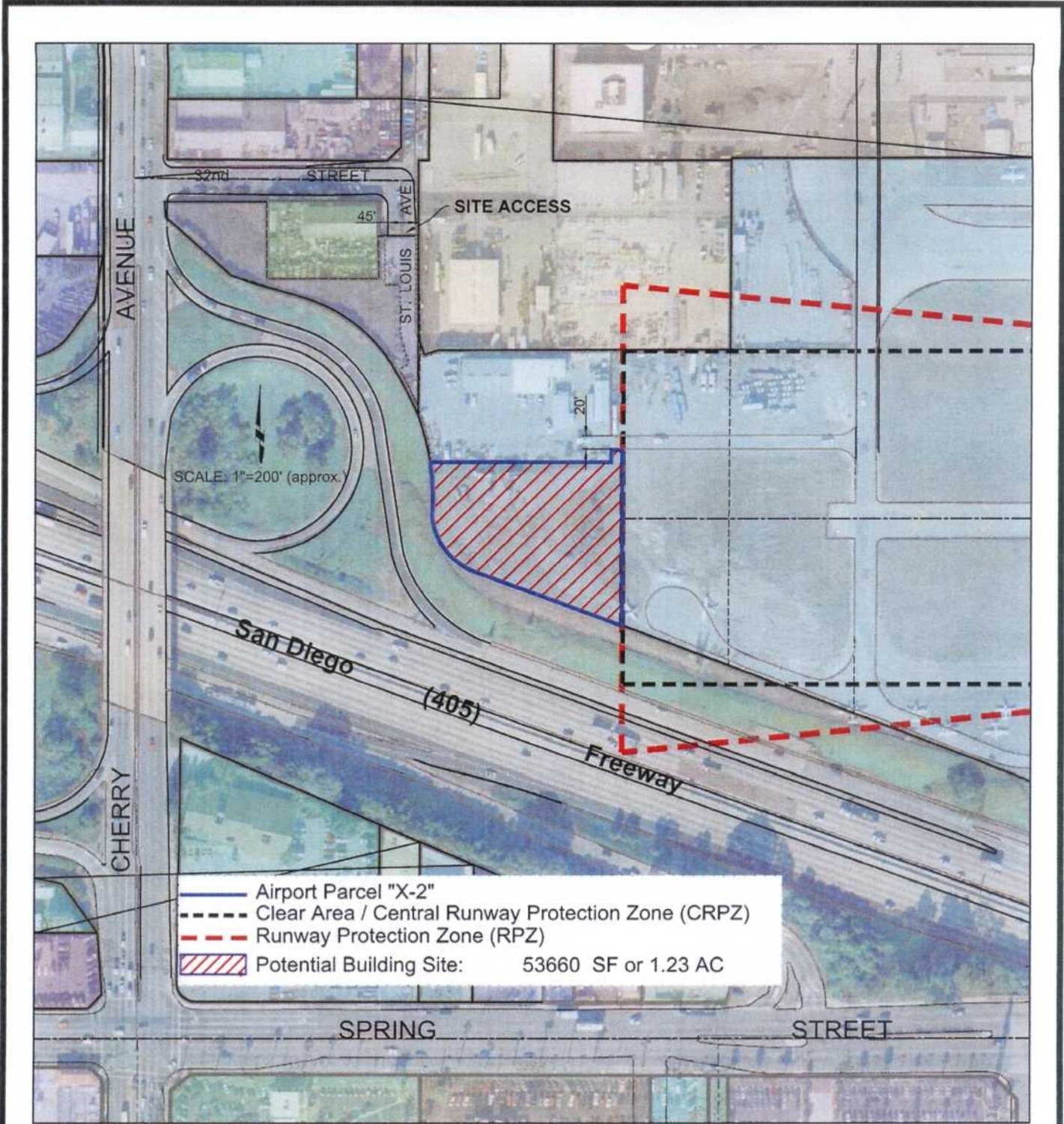


CHRIS KUNZE  
ACTING DIRECTOR  
LONG BEACH AIRPORT

DJT:CE:MTB:mtb  
10-21-08 Long Beach AirPark v2.doc  
Attachment: Exhibit "A" - Development Area Map

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER



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FN: Airport Parcel X-2 - New 03.dwg

CITY OF LONG BEACH - CALIFORNIA  
LONG BEACH AIRPORT - CHRIS KUNZE, ACTING DIRECTOR

Development Area Map for  
**AIRPORT PARCEL "X-2"**  
North of San Diego (405) Freeway and East of Cherry Avenue