



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-26

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 15, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Lease Amendment to Ground Lease No. 15383, With Ruffin Hotel, LP., a California Limited Partnership, Doing Business as Long Beach Marriott Hotel, at the Long Beach Airport Business Park, 4700 Airport Plaza Drive (District 5)

DISCUSSION

On April 21, 1981, the Long Beach City Council approved Lease No. 15383 with the developers of the Long Beach Airport Business Park (LBABP) (see attached Council Letter). This 45.1 acre development is located east of Lakewood Boulevard, south of Spring Street and west of Clark Avenue and is composed of eight multi-story office buildings with approximately 830,000 square feet of office space, a 311-room hotel, and surface and structured parking. Consistent with the California Environmental Quality Act (CEQA) this project resulted in a certified Environmental Impact Report. The 50-year lease expires in July 2032. The LBABP lease area is divided into 12 parcels that have been subleased for development. Parcels 11 and 12 of Parcel Map 15307 are subleased by the developer to Ruffin Hotel, LP., doing business as the Long Beach Marriott Hotel (Marriott). The Marriott also has certain parking rights on a portion of Parcel 1 of Parcel Map 15307 and all of Parcel 2 of Parcel Map 14943 (see attached Exhibit "A"). The developer will assign its interest in the sublease of Parcels 11 and 12 to the Marriott, allowing the City to deal directly with the Marriott on all four parcels, which are the subject of this lease amendment.

The Marriott is proposing to construct an addition adjoining the existing hotel, which will add 105 "all suite" rooms to the hotel for a total of 416 rooms. This project will be subject to CEQA and the City's Site Plan Review process. To fully amortize their investment, the Marriott is requesting a 20-year lease extension to July 2052. To determine the appropriate compensation to the City for the value of the lease extension, a fiscal consultant, Real Estate Consulting Solutions, was retained by the City to analyze this issue. Consistent with Real Estate Consulting Solutions' recommendation, the annual rent shall be increased from \$336,126 to \$422,650 to reflect the additional value created by the lease extension. The increased rent shall become effective 24 months from the date of the extension or upon issuance of a Certificate of Occupancy, whichever occurs first. If the Marriott does not begin paying the increased rent within

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this 24-month period, the lease amendment shall be void. The terms and conditions of the proposed lease amendment are as follows:

- Length of term: The term of the lease will be extended 20 years from July 7, 2032, to July 7, 2052.
- Rent: The annual rent shall be increased from \$336,126 to \$422,650 to reflect the fair market rent associated with the lease extension for Parcels 11 and 12. The rent for Parcels 1 and 2 will be adjusted to market value at the end of the original lease term in 2032. The new annual rent will continue to be adjusted at five-year intervals by increases in the Consumer Price Index as provided for in the existing ground lease.
- Conditions, Covenants and Restrictions and Maintenance Declarations: The entire development is subject to certain other rights established by Conditions, Covenants and Restrictions and Maintenance Declarations. The City agrees to respect these rights and obligations during the extension period.
- Parking Rights: The Marriott is party to a Parking Rights Agreement that allocates parking in the Long Beach Airport Business Park. The City agrees to honor these parking rights during the extension period.

This letter was reviewed by Deputy City Attorney Everett Glenn on April 29, 2004, and by Budget Manager Michael Killebrew on June 2, 2004.

TIMING CONSIDERATIONS

City Council action is requested on June 15, 2004, in order to execute the lease amendment in a timely manner.

FISCAL IMPACT

Annual rental payments will increase from \$336,126 to \$422,650 effective 24 months from the date of the extension or upon receipt of a Certificate of Occupancy, whichever occurs first. The revenues will accrue to the Airport Fund (EF 320) in the Department of Public Works (PW).

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IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a Lease Amendment to Ground Lease No. 15383, with Ruffin Hotel, LP., a California Limited Partnership, doing business as the Long Beach Marriott Hotel, at the Long Beach Airport Business Park, 4700 Airport Plaza Drive, and all related documents.

Respectfully submitted,



MELANIE S. FALLON
DIRECTOR OF
COMMUNITY DEVELOPMENT



CHRISTINE F. ANDERSEN
DIRECTOR OF
PUBLIC WORKS

MSF:CFA:VA:lel
Attachment: Council Letter dated April 21, 1981
Exhibit "A" - Map
6.15.04 CCLtr.Marriott.VA.

APPROVED:



GERALD R. MILLER
CITY MANAGER