

# **R-15**

March 1, 2022

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager, or designee, to enter into an Improvement and Reimbursement Agreement with Kilroy Realty, L. P., a California limited partnership, for the repair, repaving and restriping of public right-of-way located within Aero Long Beach (3750 – 3900 Kilroy Airport Way) on the stated terms and conditions;

Authorize the City Manager, or designee, to negotiate and amend any terms as needed to expedite the repair, repaving and restriping project; and,

Increase appropriations in the Capital Projects Fund Group in the Public Works Department by \$2,600,000, offset by revenue received from Kilroy Realty, L.P, for the Improvement of Kilroy Airport Way. (District 4)

## DISCUSSION

City Council approval is requested to enter into an agreement with Kilroy Realty, L. P., a California limited partnership (Kilroy Realty), for the repair, repaving, and restriping of public right-of-way (Kilroy Airport Way) located within Aero Long Beach.

Aero Long Beach, formerly known as the Kilroy Airport Center, is a Class “A” office campus located on City-owned property located at 3750-3900 Kilroy Airport Way, adjacent to the Long Beach Airport and the 405 freeway (Aero Campus) (Attachment). The Aero Campus is leased under a long-term Ground Lease to Kilroy Realty, L. P. (Lessee), and consists of six office buildings totaling 955,291 sq. ft. of rentable space. The Aero Campus is Energy Star certified, LEED Gold certified, and WELL Health Safety Rated and includes many prominent tenants such as Scan Health Plan, the State of California, SCS Engineers, Inc., and JP Morgan Chase.

The Aero Campus has recently undergone significant renovations including an updated amenity court with open-air gathering spaces, a state-of-the-art fitness facility, and an Everytable café in an effort to rejuvenate the Campus, attract additional top tenants and spur economic development in the area. Located within the Aero Campus is Kilroy Airport Way which is approximately one mile of pavement/roadway that has experienced significant deterioration and requires repair, repaving and restriping (Rehabilitation Work) (Attachment) to provide adequate infrastructure to Aero Campus tenants and supports the efforts made to improve the area. While funding for the repairs to Kilroy Airport Way is not part of the current five-year Infrastructure Investment Plan (IIP), it is expected to be incorporated into the next

round of plans. The Lessee has expressed a desire to move forward expeditiously with the Rehabilitation Work to supports the efforts and improvements already completed.

To that end, the Lessee has proposed entering into a Improvement and Reimbursement Agreement (Agreement) whereby the Lessee will outlay the cost of the required Rehabilitation Work, in the amount of \$2,600,000, and the City of Long Beach (City) will reimburse the Lessee over a period of five years at zero percent interest. The Agreement will commence upon City's receipt of funds from the Lessee and will terminate once the loan has been fully repaid. The City will have 12 months to complete the Rehabilitation Work with two extensions for the term of three months each should additional time be required for completion. Should the City not repay the loan in full within the five year repayment period, interest will begin to accrue at a compound annual interest rate equal to six percent plus the difference (either negative or positive) between (a) the yield of the 10 year Treasury on the beginning date of the Agreement and (b) the yield of the 10 Year Treasury on each anniversary date of the Agreement. In no event will the interest rate be less than four and one-half percent (4.5 percent) or greater than ten percent (10 percent).

Further, Kilroy Airport Way includes a previously installed art crosswalk mid-block depicting a hand painting the crosswalk with a paint brush (Art Crosswalk). The City will be required to use reasonable efforts to protect the Art Crosswalk but will not be obligated to repair, restore, or fund repairs or restorations to the Art Crosswalk should any damage occur during construction.

The proposed Improvement and Reimbursement Agreement has been negotiated containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Lessee: Kilroy Realty, L. P., a California limited partnership.
- Project Location: Approximately one mile of pavement/roadway, known as Kilroy Airport Way, located within the Aero Campus at 3750-3900 Kilroy Airport Way.
- Agreement Term: Commences upon receipt of funds from the Lessee and terminates once fully repaid.
- Rehabilitation Work: Repair, repaving and restriping.
- Construction Completion: 12 months from commencement of Agreement to complete the Rehabilitation Work. Landlord can utilize two extensions for three months each should additional time be required for completion
- Reimbursement Amount: \$2,600,000.

- Interest Rate: 0 percent (0%) for first five years from commencement of Agreement. After 5 years, interest will begin to accrue at a compound annual interest rate equal to 6 percent plus the difference (either negative or positive) between (a) the yield of the 10 year Treasury on the beginning date of the Agreement and (b) the yield of the 10 Year Treasury on each anniversary date of the Agreement. In no event shall the interest rate be less than four and one-half percent (4.5%) or greater than ten percent (10%).
- Art Crosswalk: City required to use reasonable efforts to protect the Art Crosswalk in place but will not be obligated to repair, restore, or fund repairs or restorations to the Art Crosswalk should any damage occur during construction.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on February 4, 2022 and by Budget Operations and Development Officer Rhutu Amin Gharib on February 10, 2022.

#### TIMING CONSIDERATIONS

City Council action is requested on March 1, 2022, to ensure that the Rehabilitation Work proceeds expeditiously.

#### FISCAL IMPACT

The current project cost is estimated at \$2,600,000 and includes the cost of planning, design, permitting, construction, construction management, labor compliance, and project oversight and inspections. The project will be fully supported by \$2,600,000 of funds received from Kilroy Realty, L.P., that will need to be reimbursed to Kilroy Realty, L.P., over a five-year period. Funding to reimburse the Tenant within the five year repayment period is not currently identified but will be included as part of the next multi-year Capital Improvement Plan (CIP) infrastructure plan. If reimbursement is not made within the five years, interest will begin to accrue. The interest rate will be no less than four and one-half percent (4.5%) or greater than ten percent (10%).

An appropriations increase in the amount of \$2,600,000 is requested in the Capital Projects Fund Group in the Public Works Department, offset by revenue funds received from Kilroy Realty, L.P., to complete the project as requested.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There will be a positive impact on short-term construction and laborer jobs from the Rehabilitation Work and potential long-term impact on local jobs through tenant and workforce due to the Rehabilitation Work and Aero Campus improvements. However, the specific type and number of jobs anticipated have yet to be determined.

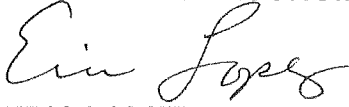
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN KEISLER  
DIRECTOR OF ECONOMIC DEVELOPMENT



ERIC LOPEZ  
DIRECTOR OF PUBLIC WORKS

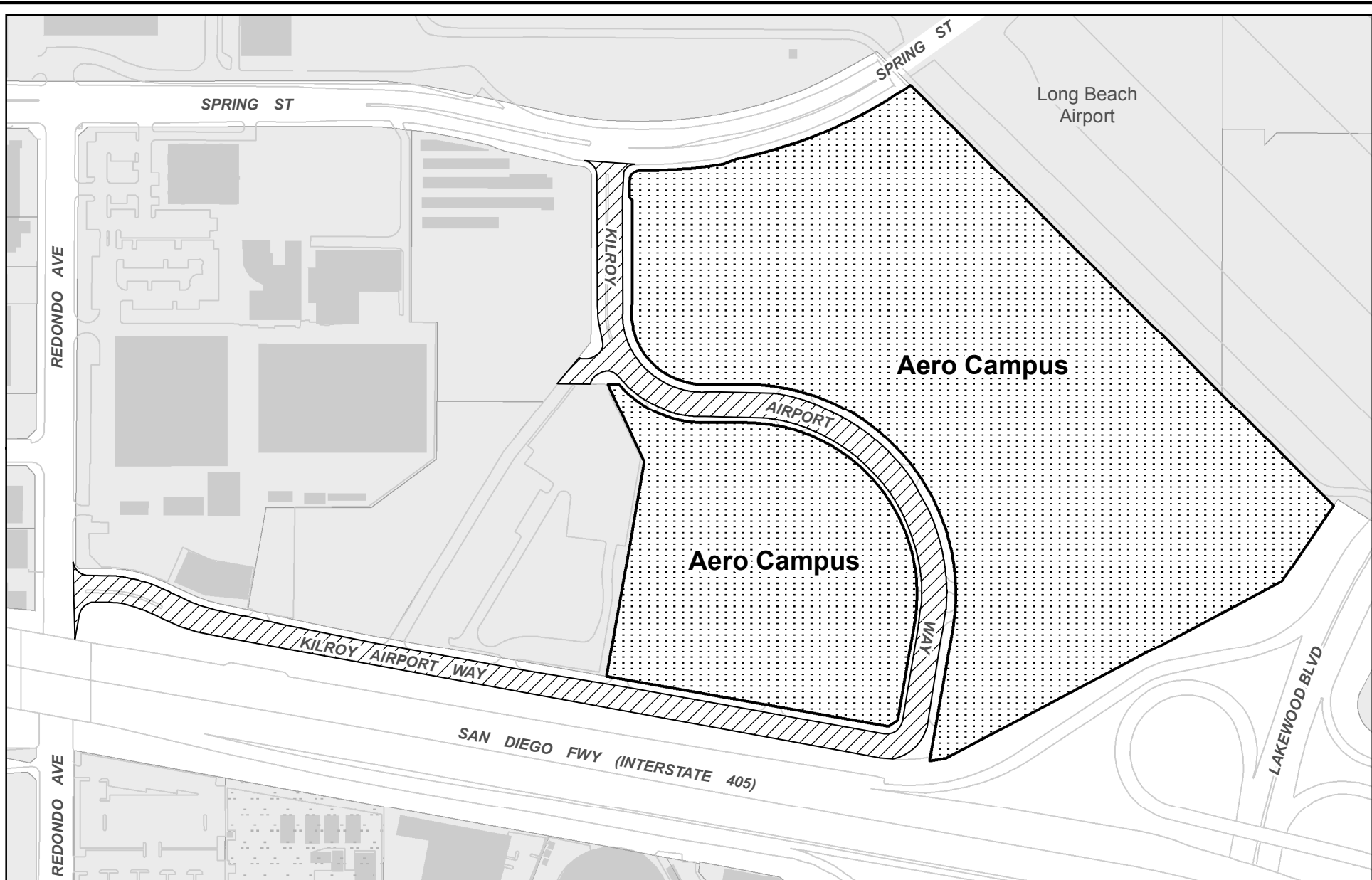
ATTACHMENT

APPROVED:



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THOMAS B. MODICA  
CITY MANAGER



**Subject Property:**

3600-3699 Kilroy Airport Way  
 APNs: 7149-014-917 to 7149-014-926  
 Council District : 4

**Attachment**

