

C-6

February 9, 2021

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 an Amended and Restated Ground Lease with Spring Street Holdings, LLC, a California limited liability company, for City-owned property located at the southwest corner of East Spring Street and East Airport Lane at the Long Beach Airport. (District 5)

DISCUSSION

In 1971, the City executed Ground Lease No. 10914 (Lease) with Communications MFG Company for the use of approximately 0.95 acres of land as a surface parking lot at the southwest corner of East Spring Street and East Airport Lane (Leased Premises) at the Long Beach Airport (Airport). Since that time, the Lease has been assigned to several different entities with the most recent assignment occurring in 2004 to David P. Mileski, an individual, now doing business as Spring Street Holdings, LLC (Tenant). Tenant owns an adjacent office building at 3200 East Spring Street and utilizes the Leased Premises as surface parking for employees and visitors of its building. Since 2005, Tenant has also subleased the southerly portion of the Leased Premises for storage use to Marine Spill Response Corporation, which is a subtenant of its building.

The term of the Lease expired in 2013 and Tenant has continued to occupy the Leased Premises under a month-to-month tenancy as allowed under the Lease. This allowed the Airport flexibility to terminate the agreement for its own use or to address any changes in regulatory restrictions due its location relative to former Runway 16R-34L. With the removal of Runway 16R-34L and the Tenant's interest in a longer term to support their business subtenants, an Amended and Restated Ground Lease has been negotiated containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Spring Street Holdings, LLC, a California limited liability company.
- Leased Premises: Approximately 0.95 acres of land located at the southwest corner of East Spring Street and East Airport Lane.
- Commencement Date: The target Commencement Date for the Amended and Restated Ground Lease will be April 1, 2021.

- Term: The term of the Amended and Restated Ground Lease will be for a period of five years through March 31, 2026.
- Option to Extend: The Amended and Restated Ground Lease will be subject to one option to extend the term for a period of five years at the Airport's discretion.
- Use: The Leased Premises will be used for surface parking for the employees and visitors of Tenant's adjacent office building. Notwithstanding the above, Tenant will be allowed to continue to sublease the southerly portion of the Leased Premises to Marine Spill Response Corporation for storage use for the initial term of the Lease.
- Rent: The initial ground rent for the Leased Premises will be \$5,900 per month or \$0.143 per square-foot.
- Annual Rental Adjustment: The monthly ground rent for the Leased Premises will be subject to annual increases at each anniversary of the Commencement Date based on the Consumer Price Index (CPI). In no event will the annual increase be less than 2 percent per year nor more than 5 percent per year.
- Fair Market Rental Adjustment: If applicable, either party may request that the rent for the first year of the Option Term be based on a re-appraisal of market conditions for the use of the Leased Premises by providing 180 days prior written notification.
- Capital Improvements and Maintenance: Tenant will be solely responsible for all costs associated with improving and maintaining the Leased Premises including slurry coating, sealing, striping of the asphalt and all other necessary repairs. Tenant will be solely responsible for maintaining the Leased Premises throughout the term.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 15, 2021 and by Revenue Management Officer Geraldine Alejo on January 20, 2021.

TIMING CONSIDERATIONS

City Council action is requested on February 9, 2021, to execute the Amended and Restated Ground Lease in a timely manner.

FISCAL IMPACT

The City receives \$50,425 in annual lease revenues under the current Lease. Under the Amended and Restated Lease, annual lease revenues will increase to \$70,800 and will continue to accrue to the Airport Fund Group in the Airport Department. Rent will be increased annually based on the CPI with no increase being less than 2 percent nor more than 5 percent per year. If applicable, rent may be also subject to a fair market rent adjustment at the commencement of the Option Term. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

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SUGGESTED ACTION:

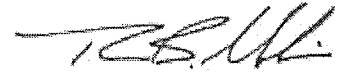
Approve recommendation.

Respectfully submitted,



CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

APPROVED:



THOMAS B. MODICA
CITY MANAGER