

October 6, 2020

C-19

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute the First Amendment to Lease No. 26120 with White Buffalo Holdings, LLC, for City-owned property at 2745–2883 East Spring Street. (District 5)

DISCUSSION

In 1996, the City executed Lease No. 26120 with Westland Construction (Westland) for the development of City-owned property located at the corner of Spring Street and Temple Avenue at the Long Beach Airport (Airport). Westland developed the property into what is now known as the Daugherty Sky Harbor development, more commonly referred to at the Airport as Parcel J, which largely supports the Airport's general aviation activities. As Parcel J was developed, individual parcels were subdivided from Lease No. 26120 and leased separately to other tenants. Consisting of ten parcels, Parcel J is operated by seven tenants under the terms of similar leases, sharing common space (primarily parking areas) spanning the entire development.

In 2011, Lease No. 26120 for Parcels J-2 through J-4 was acquired by White Buffalo Holdings, LLC (Lessee). Under the terms of the Lease, a Fair Market Value (FMV) appraisal process is to occur every ten years to determine the adjusted rent based on the prevailing rate of return. Lessee will then have 60 days from the determination of the adjusted rent to pay the difference between the current rent and the adjusted rent.

In March 2019, the Airport conducted an appraisal process to determine the adjusted rent, resulting in months of negotiation with the Lessee. The negotiations concluded in May 2020, and the process determined an increase of \$4,791 in monthly rent from \$15,159 to \$19,950, which is retroactively effective March 12, 2019. The Lessee commenced paying the new rate of \$19,950 on June 1, 2020. The outstanding balance owed for the period of March 12, 2019 through May 31, 2020 is \$70,166.

On March 17, 2020, the City Council took several actions to address the impacts of the COVID-19 pandemic on the Long Beach community. This included a moratorium on evictions, a deferment of monthly rent, and provided for a subsequent rent repayment period for both residential and commercial renters. As the adverse effects of the pandemic continue to bear upon the community, these mitigating actions continue to evolve. On May 19, 2020, the City Council authorized an extension to the moratorium, but exempted the Airport so that staff could work with tenants on a case-by-case basis to address COVID-19 related impacts and negotiate rent deferments or other accommodations in accordance with Federal Aviation Administration

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grant assurances and other applicable aviation regulations. Consequently, the Airport and its partners have held several discussions on various City and State initiatives that provide numerous ways to assist the community with the ongoing economic and health challenges due to the pandemic.

To assist its tenant during the current pandemic, the Airport is amenable to a payment plan as proposed by the Lessee of equal installments of additional rent in the amount of \$5,847 for the 12-month period beginning September 1, 2020 through August 31, 2021. This amount is in addition to the monthly base rent of \$19,950.

The proposed First Amendment to Lease No. 26120 contains the following major terms and conditions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: White Buffalo Holdings, LLC.
- Leased Premises: Approximately 310,324 square feet at 2745-2883 East Spring Street.
- Term: The term of the Lease will expire on March 11, 2039.
- Rent: The current monthly rent is \$19,950 and is subject to annual increases based on the Consumer Price Index.
- Rent Difference as Additional Rent: Effective September 1, 2020, Lessee will pay an additional monthly rent payment in equal installments of \$5,847 (Additional Rent) for the 12-month period of September 2020 through August 2021. Effective September 1, 2020, the Monthly Rent and Additional Rent will be \$25,797.

All remaining terms and provisions of the Lease will remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 14, 2020 and by Budget Analysis Officer Julissa José-Murray on September 15, 2020.

TIMING CONSIDERATIONS

City Council action is requested on October 6, 2020, to execute the First Amendment in an expeditious manner.

FISCAL IMPACT

The recommended action will authorize the First Amendment to Lease No. 26120 with White Buffalo Holdings, LLC, at the Long Beach Airport. Monthly rent will continue at \$19,950 for an annual amount of \$239,400, which will accrue in the Airport Fund Group in the Airport Department. An additional one-time increase in revenue of \$70,166 will also occur from the repayment of the outstanding balance from the 2019 rent adjustment. There is cashflow impact

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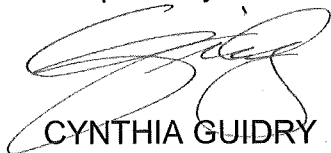
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of \$70,166 to the Airport Fund Group, as the outstanding balance owed for rent adjustments between March 12, 2019 through May 31, 2020, is repaid over 12 months beginning September 1, 2020. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

CC Ltr White Buffalo 1st Am.08.28.20.rev7

APPROVED:



THOMAS B. MODICA
CITY MANAGER