



Legislation Text

File #: 18-0156, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for a Ground Lease with Long Beach Airport Hangar Owner LLC, a Delaware limited liability company, for City-owned property at 3205 Lakewood Boulevard at the Long Beach Airport. (District 5)

In 1997, the City Council authorized the execution of Lease No. 25418 with Advanced Aerodynamics & Structures, Inc., predecessor-in-interest to Long Beach Airport Hangar Owner, LLC, an affiliate of Macquarie Corporate and Asset Finance (Macquarie), for the development of approximately ten acres of land at 3205 Lakewood Boulevard (Facility) at the Long Beach Airport (Airport). This facility currently houses the City of Long Beach (City) Fire Department Headquarters, the City's Police Department Field Support Division, and the Department of Homeland Security's Forensics Laboratory. Approximately 40,000 square feet of space in the facility's hangar remains vacant.

Macquarie has been engaged with Spartan College of Aeronautics (Spartan) to sublease the vacant hangar space to relocate to the Airport. Spartan is currently located in Inglewood, California, near Los Angeles International Airport (LAX), but will soon be displaced. Spartan's presence at the Airport would complement other educational institutions on Airport property, including the Embry-Riddle Aeronautical University at the Long Beach Airport Business Park and DeVry University at the Kilroy Airport Center.

The facility was not originally designed and constructed to provide sufficient parking to accommodate an educational school use. The City and Airport are supportive of Spartan's relocation and have identified undeveloped land adjacent to Macquarie's existing parking lot for Macquarie's construction of a secondary parking lot containing approximately 250 parking spaces for Spartan staff and students (attachment).

The proposed Ground Lease contains the following major terms and provisions:

- **Landlord:** City of Long Beach, a municipal corporation.
- **Tenant:** Long Beach Airport Hangar Owner, LLC, a Delaware limited liability company.
- **Premises:** Approximately 1.8 acres of undeveloped land adjacent to 3205 Lakewood Boulevard for the construction of a parking lot.
- **Term:** The Ground Lease shall commence approximately June 1, 2018 and shall be coterminous with the ground lease for the adjoining leasehold at 3205 Lakewood

Boulevard, for an approximate 19-year lease term.

- **Base Rent:** The initial annual base rent shall be \$30,000 per acre or approximately \$54,000 per year/\$4,500 per month. The annual base rent shall be adjusted to fair market value at the beginning of years 6, 11 and 16 of the lease. Annual adjustments to the base rent will be based on the change in the Consumer Price Index and shall commence at the beginning of year 7 and annually thereafter, except when there is a scheduled fair market value adjustment. Annual adjustments shall be no less than 2 percent and no more than 7 percent. In no event, shall any adjustment result in a decrease in the base rent.

The Tenant shall be responsible for all costs associated with the development and maintenance of the Premises through the term of the lease.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 29, 2018 and by Revenue Management Officer Geraldine Alejo on February 1, 2018.

City Council action is requested on February 20, 2018, to execute the Ground Lease in a timely manner to allow the Tenant to commence the construction of the parking lot as soon as possible.

Annual revenues of approximately \$54,000 shall accrue in the Airport Fund (EF 320) in the Airport Department (AP). Annual revenues shall be subject to periodic rent adjustments as outlined in the Ground Lease terms. There is no local job impact associated with this recommendation.

Approve recommendation.

JESS L. ROMO, A.A.E.
DIRECTOR, LONG BEACH AIRPORT

APPROVED:

PATRICK H. WEST
CITY MANAGER