



Legislation Text

File #: 20-1096, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary for the First Amendment to Amended and Restated Lease No. 35335 with LGB CA Holdings, LLC, dba Ross Aviation, a Delaware limited liability company, for City-owned property at 3250 Airflite Way. (District 5)

On June 12, 2018, the City Council authorized the execution of Amended and Restated Lease No. 35335 (Lease) with Ross Aviation for the continuation of Fixed Base Operator (FBO) services for general aviation at the Long Beach Airport (Airport), including aircraft hangars, aircraft tie-downs, the sale of fuel for based and transient aircraft, and the leasing of office space and facilities. The Lease further incorporated an additional 3.17 acres of land adjacent to the existing 12.16-acre leasehold to allow for Ross Aviation to develop a new common storage hangar to enhance its services dedicated to the general aviation community. The total area under the Lease is currently 15.33 acres (Leased Premises); however, this is subject to further modification based upon a survey to be completed by the Lessee and approved by the Airport. Both the development of the new hangar and the surveying of the Leased Premises has been delayed due to the COVID-19 pandemic.

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 it could work with its tenants on a case-by-case basis to address COVID-related impacts and negotiate rent deferments or other accommodations in accordance with Federal Aviation Administration (FAA) 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.

Through these discussions, the Airport has implemented a tenant assistance program (Program), designed to help its tenants sustain their business operations during the current economic crises. The Program provides Airport tenants the option to participate in a short-term rent deferral, which may also include the deferral of any scheduled 2020 rent adjustments and capital improvements as prescribed under their respective leases coupled with a one-year lease extension. Tenants may choose from the following options for deferrals:

- Deferral of three months of rent to be repaid in equal installments over the subsequent

six-month period; or,

- Deferral of 50 percent of rent for a six-month period to be repaid in equal installments over the subsequent six-month period.

Ross Aviation recently notified the Airport of its interest to participate in the Program. The proposed First Amendment to Amended and Restated Lease No. 35335 contains the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: LGB CA Holdings, LLC, dba Ross Aviation., a Delaware limited liability company.
- Leased Premises: The Leased Premises is currently 15.33 acres. However, the final acreage may be modified based upon the future completion of a survey by Tenant subject to approval by the Airport.
- Term: The current term of the Lease is set to expire on July 31, 2050 and will be extended through July 31, 2051.
- Rent Deferred: Effective June 1, 2020, the monthly rental rate of \$41,692 (Monthly Rent) will be deferred for the three-month period of June 2020 through August 2020 for a total deferred rental amount of \$125,076 (Deferred Rent).
- Deferred Rent as Additional Rent Payment: Effective September 1, 2020, Deferred Rent will be repaid in equal installments of \$20,846 (Additional Rent) over the six-month period of September 2020 through February 2021. Effective September 1, 2020, the Monthly Rent and Additional Rent for the Leased Premises will be \$62,538.
- Fair Market Rent Adjustment: The Lease was subject to a fair market rental adjustment on August 1, 2020. This adjustment will be delayed for one year to August 1, 2021, under the Airport's Tenant Assistance Program.

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 October 27, 2020 and by Budget Analysis Officer Julissa José-Murray on October 23, 2020.

City Council action is requested on November 17, 2020, to execute the first amendment to the lease in a timely manner.

The recommended action will authorize the first amendment to Lease No. 35335 with LGB CA Holdings, LLC, and allow for rent deferral and repayments. Annual revenue of \$500,304

will remain unchanged and will be reviewed for fair market value on August 1, 2021. There will be a cashflow impact to the Airport Fund Group of \$104,230 in fiscal year 2020 as the outstanding balance of deferred rent between June 2020 and August 2020 is repaid at \$20,846 a month beginning in September 2020 until February 2021. Deferred rent of \$104,230 plus the \$500,304 annual rent will accrue in the Airport Fund Group in Fiscal Year 2021. 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.

Approve recommendation.

[Enter Body Here]

CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

APPROVED:

THOMAS B. MODICA
CITY MANAGER