



Legislation Text

File #: 10-0063, **Version:** 1

Recommendation to authorize City Manager to execute all documents necessary for the Third Amendment to Fixed Base Operation Lease

No. 23972 between the City of Long Beach and Million Air North, Inc., a California corporation, for City-owned property at 4225 Donald Douglas Drive at the Long Beach Airport; and

Authorize City Manager to execute all documents necessary for the Second Amendment to Sublease No. 23972 between the City of Long Beach and Million Air North, Inc., a California corporation, for City-leased office space at 4135 Donald Douglas Drive at the Long Beach Airport. (District 5)

In 1995, the City Council authorized the execution of Fixed Base Operation Lease No. 23972 (Lease) between the City and Million Air North, Inc. (Million Air) for the use of an approximate 16-acre parcel (Site) at the Long Beach Airport for an initial 10-year term for general aviation purposes. In 2002, the City Council authorized a five-year extension to the term. In 2009, four acres of the Site were removed from the Lease as allowed under the terms and placed on a separate month-to-month agreement for future Airport purposes. The Lease will terminate on May 1, 2010.

The Site is utilized for general and commercial aviation uses. Services provided include approximately 100 tie-downs, 36 T-hangers, a 10,000 square foot hangar, secure vehicle parking, fuel and wash facilities for general aviation aircraft; a 200,000-gallon bulk fuel facility to receive, store and dispense jet fuel to the Airport's commercial carriers; and approximately 25,000 square feet of administrative office, shop and warehouse space to support various Airport tenants.

In 2005, the City Council authorized the execution of Sublease No. 23972 for approximately 1,800 square feet of office space to house the Long Beach Airport Information Center and the staff of the Airport Public Affairs Division. The Sublease will terminate on April 30, 2010.

Due to its location adjacent to the North Baggage Claim Area at the Long Beach Airport, various future uses for the Site have been discussed including passenger/employee parking, rental car parking and facilities, construction of additional office space and continued use for general aviation aircraft parking. As the Airport begins construction of its new parking structure and continues the design and financing processes for its terminal modifications, a plan for the future use of the Site will need to be developed that takes into consideration the future needs of the Airport community while minimizing the impacts on the current subtenants and users.

In an effort to provide additional time for this planning, the Airport proposes to amend the Lease and Sublease to extend the respective terms. The proposed amendments would contain the following major terms and provisions:

Third Amendment to Fixed Base Operation Lease No. 23972

- Term: The term of the Lease shall be extended approximately two years through April 30, 2012;

- Base Rent: Effective May 1, 2010, the base monthly land rental shall be \$27,559. Effective May 1, 2011, the base monthly land rental shall be \$28,386. These amounts represent an approximate three percent annual increase. In addition, the Airport shall continue to receive as additional rent; three percent of gross rental revenue.

Second Amendment to Sublease No. 23972

- Term: The term of the Sublease shall be extended for an additional two years through April 30, 2012;
- Rent: The monthly rent for the period of May 1, 2010, through and including April 30, 2012, shall be \$3,780.

All remaining terms and provisions of both agreements shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on December 21, 2009, and Budget and Performance Management Bureau Manager David Wodynski on December 29, 2009.

City Council action is requested on January 19, 2010, in order to execute the amendments in a timely fashion and provide ample opportunity for the various subtenants on the Site to secure continued occupancy beyond April 2010.

Total annual revenues from the Lease of approximately \$507,000 (\$331,000 in land rental and \$176,000 in percentage rental) shall continue to accrue in the Airport Enterprise Fund (EF 320) in the Airport Department (AP). Sufficient funding for the annual sublease payments of \$45,360 is budgeted in the Airport Enterprise Fund (EF 320) in the Airport Department (AP). There is no impact to the General Fund.

Approve recommendation.

MARIO RODRIGUEZ
DIRECTOR, LONG BEACH AIRPORT

NAME
TITLE

APPROVED:

PATRICK H. WEST
CITY MANAGER