



# CITY OF LONG BEACH

# R-15

DEPARTMENT OF PUBLIC WORKS

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December 11, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for a Consent to Assignment by the City of Long Beach, a municipal corporation (Lessor), for Lease No. 15383 (Parcel 2 of Parcel Map No. 17454) for the benefit of OC Investors, Inc., a California corporation (Lessee), and the City of Long Beach, a municipal corporation, acting by and through its Board of Harbor Commissioners (Port) for City-owned property at 4801 Airport Plaza Drive in the Long Beach Airport Business Park. (District 5)

## DISCUSSION

On November 5, 2012, the Board of Harbor Commissioners (Port) authorized the Executive Director to execute a Purchase and Sale Agreement for the acquisition of the leasehold interest in City-owned property at 4801 Airport Plaza Drive (Site) in the Long Beach Airport Business Park. The Site, an approximate 37,500 square foot (SF) parcel of land leased to OC Investors, Inc. (Lessee), is improved with a 176,375 SF, eight-story office building. The building is owned by the Lessee and will be acquired by the Port. As part of the acquisition of the building, the Port will acquire the leasehold interest and become the new lessee for Lease No. 15383 (Parcel 2 of Parcel Map No. 17454). The Lease is currently scheduled to expire on July 7, 2052. Under the terms of the Lease, the Lessee may not assign the Lease without the consent of the Lessor.

The Lessee currently pays a possessory interest tax to the County of Los Angeles as a result of its leasehold interest in real property owned by the City. Pursuant to applicable tax law, the City receives approximately 21.66 percent of this tax. Upon the assignment of the Lease to the Port, the tax will cease since the Port (as a public agency) is not subject to possessory interest taxes.

As a condition of the Consent to Assignment, the Port has agreed to annual payments to the City in lieu of the possessory interest tax. The initial annual payment shall equal the amount of the tax currently received and shall increase annually by two percent, compounded, for the duration of the Port's ownership. Upon sale and assignment of the Lease by the Port to a private entity, the Port's obligation for the in-lieu annual payment shall terminate. The initial annual payment shall be approximately \$58,209.

HONORABLE MAYOR AND CITY COUNCIL

December 11, 2012

Page 2

This matter was reviewed by Deputy City Attorney Richard F. Anthony on November 19, 2012 and Budget Management Officer Victoria Bell on November 19, 2012.

TIMING CONSIDERATIONS

City Council action is requested on December 11, 2012, in order to execute the Consent to Assignment in a timely manner.

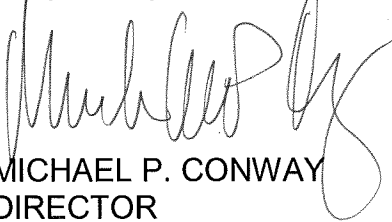
FISCAL IMPACT

The Lease base rent annual payments of \$265,337 shall continue to accrue to the Airport Fund (EF 320) in the Airport Department. Annual revenues of approximately \$58,209 shall accrue to the General Fund (GP) in the Department of Citywide Activities (XC) in lieu of possessory interest tax as a result of the Lease assignment to the Port. Approval of this recommendation will provide continued support for the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY  
DIRECTOR  
PUBLIC WORKS

MPC:MR:JMLR  
12.11.12.Port.Consent.doc



MARIO RODRIGUEZ  
DIRECTOR  
LONG BEACH AIRPORT

APPROVED:



PATRICK H. WEST  
CITY MANAGER