



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# R-31

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 22, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**SUBJECT:** Lease Amendment and Assignment for Portions of Ground Lease No. 15383, With OC Investors, Inc., a California corporation, at the Long Beach Airport Business Park, 4801 Airport Plaza Drive (District 5)

## DISCUSSION

On April 21, 1981, the Long Beach City Council approved Lease No. 15383 with the developer (Developer) of the Long Beach Airport Business Park (LBABP) (see attached Council Letter). This 45.1-acre development is located east of Lakewood Boulevard, south of Spring Street and west of Clark Avenue and is composed of eight multi-story office buildings with approximately 830,000 square feet of office space, a 311-room hotel, and surface and structured parking. Consistent with the California Environmental Quality Act (CEQA), this project resulted in a certified Environmental Impact Report. The 50-year lease expires in July 2032. The LBABP lease area is divided into 12 parcels (Parcel Map 15307) that have been subleased for development (see attached Exhibit "A"). Parcels Seven and Eight of Parcel Map 15307 have been further subdivided into Six parcels (Parcel Map 17454) and developed into individual offices and parking leases (see attached Exhibit "B").

Parcel Two of Parcel Map 17454 is subleased by the Developer to OC Investors, Inc., a California corporation that owns the 165,000-square foot office building at 4801 Airport Plaza Drive (Office Building). The Office Building also has certain parking rights on a portion of Parcel Three of Parcel Map 17454.

OC Investors is requesting a 20-year lease extension to July 2052 for the Office Building. To determine the appropriate compensation to the City for the value of the Office Building lease extension, a fiscal consultant, Keyser Marston and Associates (KMA), was retained by the City to analyze this issue. Consistent with KMA's recommendation, OC Investors is willing to compensate the City \$816,000 for the additional value created by the lease extension. OC Investors will pay this fee over a 10 year period with annual payments of principal and interest.

The terms and conditions of the proposed lease amendment are as follows:

- Length of term: The term of the lease will be extended 20 years from July 7, 2032, to July 7, 2052.
- Rent: As set forth in the existing lease.
- Conditions, Covenants and Restrictions and Maintenance Declarations: The entire development is subject to certain other rights established by Conditions, Covenants and Restrictions and Maintenance Declarations. The City agrees to respect these rights and obligations during the extension period.
- Parking Rights: The Office Building is party to a Parking Rights Agreement that allocates parking in the Long Beach Airport Business Park and on a portion of Parcel Three of Parcel Map 17454. The City agrees to honor these parking rights during the extension period.
- Assignment of Lease Parcels 11 and 12 Interest: As a condition of the lease extension, Developer will assign to the City its interest in Parcels 11 and 12 of Parcel Map 15307, currently subleased to the Ruffin Hotel, LP., a California Limited Partnership, doing business as the Long Beach Marriott Hotel (Marriott), allowing the City to deal directly with the Marriott.

This letter was reviewed by Deputy City Attorney Everett Glenn on June 10, 2004, and by Budget Management Officer David Wodynski on June 14, 2004.

#### TIMING CONSIDERATIONS

City Council action is requested on June 22, 2004, to execute the lease extension and assignment in a timely manner.

#### FISCAL IMPACT

A down payment of \$163,200 will be received upon the execution of the lease amendment. On the annual anniversaries of the lease amendment a payment of principal and interest will be received to fully amortize the \$652,800 balance. The revenues will accrue to the Airport Fund (EF 320) in the Department of Public Works (PW).

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IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a Lease Amendment and Assignment for Portions of Ground Lease No. 15383, with OC Investors, Inc., a California corporation, at the Long Beach Airport Business Park, 4801 Airport Plaza Drive, and all related documents.

Respectfully submitted,



for

MELANIE S. FALLON  
DIRECTOR OF  
COMMUNITY DEVELOPMENT



CHRISTINE F. ANDERSEN  
DIRECTOR OF  
PUBLIC WORKS

MSF:CFA:VA:lel

Attachment: Council Letter dated April 21, 1981

Exhibit "A" – Map 15307

Exhibit "B" – Map 17454

6.22.04 CCLtr 4801 Airport Wy.VA.

APPROVED:



GERALD R. MILLER  
CITY MANAGER