



CITY OF LONG BEACH

C-11

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 14, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Second Amendment to Lease No. 25418 between the City of Long Beach and AP-Long Beach Airport LLC, a Delaware limited liability company, and all documents necessary to modify the Lease use provisions, insurance requirements, address for legal notice, and the method of computing the consumer price index rent increases, for City-owned property at 3205 Lakewood Boulevard. (District 5)

DISCUSSION

On December 3, 1996, the City Council approved Lease No. 25418, formalized on January 14, 1998, with Advanced Aerodynamics & Structures, Inc. (AASI) for City-owned property at 3205 Lakewood Boulevard (Site). The 9.95-acre Site contains approximately 205,000 square feet of hangar, office, and warehouse space to be used for the manufacturing of aircraft as well as 400 auto parking stalls (see Exhibit "A"). To assist AASI in managing its cash flow through the sale of the Lease and a concurrent sublease, on May 4, 1999, the City Council approved a First Amendment allowing for the subtenant's ability to perform all the obligations of the tenant; providing a sales tax credit to AASI or to a similar aircraft airframe manufacturer transferable upon City Council approval; and broadening the "Operation of Business" provision to prevent tenant default in the event of long-term building vacancy during ongoing marketing efforts (see Exhibit "B").

On May 21, 1999, the Lease was assigned to AP-Long Beach Airport LLC (APLB). Concurrently, APLB subleased the property to AASI. In June 2002, Mooney Airplane Company acquired AASI and, as a result of non-certification of the aircraft proposed for manufacturing at the Site, the premises were vacated in January 2003.

Since January 2003, APLB has been actively seeking a replacement tenant for the Site. In an effort to increase the functionality of the Site for aircraft manufacturing, APLB recently invested over \$3 million dollars in facility upgrades. The upgrades included modification of the interior building columns to allow for larger aircraft wingspans and installation of additional fire suppression systems to allow for the staging of fueled

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aircraft in the hangar area. Additionally, APLB is completing installation of underground fuel tanks for use by future subtenants.

APLB has reached a tentative agreement with an aircraft manufacturer, Sino Swearingen Aircraft Corporation (SSAC), to sublease the Site. SSAC is planning to manufacture a small twin-engine passenger jet, the SJ30-2, and has requested modification of the Lease to allow flexibility in its business activities. The existing use provision restricts the uses to "aircraft manufacturing." SSAC is requesting the modification of the use provision to also allow for "other aircraft related uses excluding fuel sales to other than those who are tenants on the premises." The expanded use will serve to establish an aircraft manufacturing business which will create jobs and enhance the City's workforce and sales tax base. There is potential to create up to 500 new jobs within three years of full operation.

The City is proposing a Second Amendment with AP-Long Beach Airport LLC containing the following terms and conditions:

- Use: The Premises and any and all improvements located or erected thereupon shall be used as a manufacturing facility for the manufacture, sale, maintenance or repair of aircraft, administrative offices, research and development and such other uses that are incidental to and consistent with the manufacture of aircraft, and for the manufacture and sale of high-tech compositions, and other aircraft related uses, specifically excluding, however, fuel sales other than to the Tenant, or any subtenant under this Lease. No other use of the Premises shall be permitted by Landlord.
- Insurance Requirements: Tenant will be required to provide coverage limits of \$5,000,000 general liability, \$2,000,000 auto liability and \$15,000,000 aircraft liability in accordance with the City's Risk Management recommendation.
- Address for Notice: The Lease will be modified to correct the address for legal notice to be AP-Long Beach, 310 Golden Shore, Suite 300, Long Beach, CA 90802. In addition, future changes in the legal address may be completed by written notice.
- Consumer Price Index (CPI) Adjustments: The existing Lease language will be modified to correctly reference the immediate preceding Lease year, in accordance with standard business practices to correctly calculate CPI rent adjustments as of January 14, 2004.

This letter was reviewed by Deputy City Attorney Everett Glenn on June 1, 2005 and Budget Management Officer David Wodynski on June 2, 2005.

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TIMING CONSIDERATIONS

City Council action is requested on June 14, 2005 in an effort to facilitate completion of sublease negotiations with Sino Swearingen Airport Corporation.

FISCAL IMPACT

Estimated annual revenue of \$209,213 for FY 05 will be reduced to \$202,931 with the corrected CPI calculation and will accrue to the Airport Fund (EF 320) in the Department of Public Works (PW). There is no impact to the General Fund.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



CRAIG BECK
ACTING DIRECTOR OF
COMMUNITY DEVELOPMENT



CHRISTINE F. ANDERSEN
DIRECTOR OF
PUBLIC WORKS

CB:CFA:VA:lel
6.14.05 CC Ltr AASI

Attachment: Exhibit "A" Site Map
Exhibit "B" Council Letter Dated May 4, 1999

APPROVED:



GERALD R. MILLER
CITY MANAGER