



CITY OF LONG BEACH

LONG BEACH AIRPORT

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April 17, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the Fourth 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 the City Manager to execute all documents necessary for the Third 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)

DISCUSSION

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. In 2010, the City Council authorized a two-year extension to the term. The Lease will terminate on April 30, 2012.

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. In 2010, the City Council authorized a two-year extension to the term. The Sublease will terminate on April 30, 2012.

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Due to its location adjacent to the North Baggage Claim Area, much of the Million Air North, Inc., site is planned for a new rental car facility. However, at present, the site is home to private airplane tie downs. Moreover, there is no alternate location to relocate the current general aviation tenants. Thus, the Airport requested Million Air North, Inc. to continue operating the existing general aviation services on a short-term basis until a new facility can be developed. It is anticipated that it could take three to five years before such a facility can be built. Due to the uncertainty of the timeframe to provide an alternate location, the new lease extension will contain a clause allowing for a 180-day termination.

The Airport is committed to protecting and providing a home for general aviation. To that end, the Airport will strive to design and develop a new general aviation facility that will benefit all stakeholders and provide a significant upgrade in amenities for the General Aviation Community.

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:

Fourth Amendment to Fixed Base Operation Lease No. 23972

- Term: The term of the Lease shall be extended approximately five years through April 30, 2017, with a right to terminate within 180 days advance notice;
- Base Rent: Effective May 1, 2012, the base monthly land rental will increase three percent to \$29,238 and increase annually at approximately three percent through and including April 30, 2017. In addition, the Airport shall continue to receive as additional rent three percent of gross rental revenue.

Third Amendment to Sublease No. 23972

- Term: The term of the Sublease shall be extended for an additional five years through April 30, 2017, coterminous with the Master lease;
- Rent: There will be no change in the monthly rent, which will remain at \$3,893 for the period of May 1, 2012, through and including April 30, 2017.

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

This matter was reviewed by Deputy City Attorney Richard Anthony on March 19, 2012, and Budget Management Officer Victoria Bell on March 20, 2012.

TIMING CONSIDERATIONS

City Council action is requested on April 3, 2012, 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 May 2012.


FISCAL IMPACT

Total annual revenues from the Lease of approximately \$419,000 (\$351,000 in land rental and \$68,000 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 \$46,716 is budgeted in EF 320. There is no impact to the General Fund and no local job impact associated with the recommendation.

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



MARIO RODRIGUEZ
DIRECTOR, LONG BEACH AIRPORT

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APPROVED:



PATRICK H. WEST
CITY MANAGER