



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

R-35

August 8, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute First Amendments to Leases for Sub-Parcels 3 and 6 of Parcel Map No. 17454 with Arden Realty Limited Partnership, a Maryland limited partnership, for City-owned property at the Long Beach Airport Business Park at 5000 E. Spring Street and 4900 - 4910 Airport Plaza Drive. (District 5)

DISCUSSION

On April 21, 1981, the City Council approved Master Lease No. 15383 with Long Beach Airport Business Park (LBABP), comprised of Signal Development Corporation and Carlton Browne and Company, Inc., for the development of City-owned property (Site) at the southeast corner of Lakewood Boulevard and Spring Street. The 45.1-acre Site is currently composed of eight multi-story office buildings containing approximately 830,000 square feet of office space, a 311-room hotel, and surface and structured parking. The original Master Lease provided for a 50-year term expiring on July 7, 2032.

The Site was divided into 12 parcels, each with its own individual lease, which were subleased for development (see Exhibit "A"). Parcels 7 and 8 were further divided into 6 Sub-Parcels that were also subleased for development (see Exhibit "B"). Sub-Parcels 1, 3, 4, 5 and 6 have been subleased and assigned to various entities over the years. In 1995, all right, title and interest in the leases for Sub-Parcels 1, 3, 4, 5 and 6 were assigned to Arden Realty Limited Partnership, a Maryland limited partnership (Arden). In 1995, Sub-Parcels 1, 4 and 5 were extended for 18-years through December 31, 2050 as an incentive for McDonnell Douglas (now owned by Boeing) to occupy office space for C-17 engineering and other production related services. The lease for Sub-Parcel 2, held by OC Investors, Inc., a California corporation, was extended in a similar manner in June 2004.

Arden has requested an 18-year extension of the term of the leases for Sub-Parcels 3 and 6, which provide an adjacent parking lot and parking structure for Parcels 1, 4 and 5. The proposed extension will allow Arden, on a long-term basis, to effectively operate

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and maintain four existing office buildings totaling approximately 437,010 square feet. Keyser Marston Associates (KMA) was retained by the City to analyze and determine the appropriate compensation for the value of the extended term of the leases, which Arden has agreed to pay in a lump sum. Consistent with KMA's recommendation, a one-time payment of \$2,544,594 reflects the present value of the extended term of the leases. This amount would be paid to the Airport Enterprise Fund upon execution of the First Amendments. Terms and conditions of the existing leases would continue through the extended term including monthly rent. Monthly rent would adjust by increases in the Consumer Price Index (CPI) at five-year intervals through the existing and extended lease terms.

The terms and conditions of the proposed First Amendments are as follows:

- Term: The term of the leases for Sub-Parcels 3 and 6 will be extended 18 years and will terminate on December 31, 2050, co-terminus with the other leases with Arden at the Site.
- Extension Fee Payment: A one-time payment of \$2,544,594 shall be provided to the Airport Enterprise Fund representing the present value of the extended term of the leases for Sub-Parcels 3 and 6.
- Insurance: Insurance requirements will be updated as required by the City's Risk Manager.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on June 12, 2006 and Budget Management Officer David Wodynski on June 8, 2006.

TIMING CONSIDERATIONS

City Council action is requested on August 8, 2006 in order to execute the First Amendments in a timely manner.

FISCAL IMPACT

Annual lease rental payments for Sub-Parcels 3 and 6 of \$26,221 will continue to accrue to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW) with increases at five-year intervals. One-time revenues of \$2,544,594 will accrue to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW). There is no impact to the General Fund.

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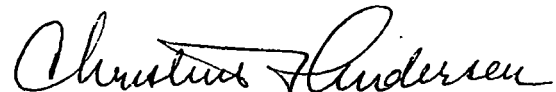
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF
COMMUNITY DEVELOPMENT



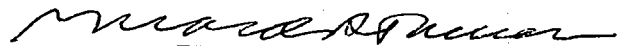
CHRISTINE F. ANDERSEN
DIRECTOR OF
PUBLIC WORKS

PHW:CFA:VLA:lel

Attachments: Exhibit "A" - Parcel Map 15307
Exhibit "B" - Parcel Map 17454

8.8.06 CC Ltrs Arden Leave.

APPROVED:



GERALD R. MILLER
CITY MANAGER