



CITY OF LONG BEACH

LONG BEACH AIRPORT

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March 3, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for a Lease between the City of Long Beach (City), the Board of Water Commissioners of the City of Long Beach (Water), and Don Temple Storage, LLC for the use of City-owned and Water-owned property at 3750 E. Spring Street; and

Authorize the City Manager to execute a Memorandum of Understanding between the City of Long Beach and the Board of Water Commissioners of the City of Long Beach for administration of said Lease. (District 5)

DISCUSSION

In 1988, the City, Water and Kilroy Realty, L.P. (Kilroy) executed leases for the development of the Kilroy Airport Center (Center). The lease for Phase IV of the Center included a 5-acre parcel owned by the City known as Parcel 7 and a 4.7-acre parcel owned by Water known as Parcel 10. Don Temple Storage, LLC (Temple Storage) was located on the property prior to execution of the Phase IV lease and Kilroy agreed to continue to lease to Temple Storage until such time as the property was needed for development. In 2009, the Phase IV lease was terminated due to economic reasons and the Temple Storage sublease was assigned to City and Water. As the majority of the leasehold is on Water-owned property, and in order to provide Temple Storage with one point of Landlord contact, Water administered the assigned sublease on behalf of City and itself.

The Temple Storage sublease terminated on March 31, 2013, but has continued on a month-to-month holdover while Water and Temple Storage negotiated terms for a new agreement. Negotiations have concluded and the proposed Lease contains the following major terms and provisions:

- Lessor: City of Long Beach, a municipal corporation, and the Board of Water Commissioners of the City of Long Beach, on its own behalf in its official capacity
- Lessee: Don Temple Storage, LLC, a California limited liability company
- Leased Premises: The Leased Premises shall consist of Parcel 10 and approximately 1.07 acres of Parcel 7 (Attachment).

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- Term: The term of the Lease shall be for a period of ten (10) years commencing April 1, 2015 and terminating March 31, 2025. Lessee shall have the option to extend the term for up to two (2) additional 5-year periods by providing notice to Landlord. Notice shall be provided no later than six (6) months prior to the expiration date of the initial term or any extension term.
- Option to Terminate: Lessee shall have the right to terminate the lease for any or no reason with six (6) months advance written notice. Lessor shall have the right to terminate the Lease with six (6) months advance written notice if (i) Lessor reasonably needs the Premises or any portion thereof for any municipal purpose (including without limitation purposes related to the water utility, the airport and/or federal regulations governing either); or (ii) Lessor determines, in its discretion, to offer the Parcel(s) for lease or sale in connection with development.
- Rent: The initial monthly base rent shall be \$20,574 and shall adjust periodically as outlined in the terms of the Lease. The monthly base rent shall be adjusted at the commencement of each extension term based on a fair market appraisal process as outlined in the terms of the Lease.
- Use: Lessee's operations conducted upon the premises shall be the operation of a recreational vehicle self-storage facility.

The proposed terms of the Lease were approved by Water at its meeting of the Board of Water Commissioners on March 20, 2014.

To effectively manage and administer the Lease, it is further recommended that a Memorandum of Understanding (MOU) be executed between Water and the City. The proposed MOU contains the following major terms and provisions:

- Lease Administration: Water shall administer the Lease on behalf of City and shall serve as primary point of contact to Lessee.
- Responsibilities: Water, acting through Water staff, shall be the agent for the City and itself and shall administer the Lease, including enforcement of all terms and conditions.
- Proration of Rent and Other Costs: All rent and other amounts received pursuant to the Lease shall be prorated between the City and Water as follows: (a) City shall receive 20 percent; (b) Water shall receive 80 percent. In accordance with its duties under the MOU, Water shall collect the rent and other amounts and shall, by journal voucher or otherwise, transfer the appropriate percentage to the City's Airport Fund. The Airport will reimburse the Water Department on a pro rata basis for reasonable, necessary, and directly related expenses incurred. Water will obtain appraisals on both parties' behalf to adjust rent periodically as provided for in the Lease.

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This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Management Officer Victoria Bell on February 12, 2015.

TIMING CONSIDERATIONS

City Council action on this matter is requested on March 3, 2015, to allow for the execution of the Lease agreement.

FISCAL IMPACT

The Airport's share of the lease revenue from Parcel 7 is currently \$37,548 annually, and shall increase to \$49,378 annually. The Airport's share will continue to accrue to the Airport Fund (EF 320) in the Long Beach Airport Department (AP). The Water Department's share of the lease revenue will continue to accrue to the Water Fund (EF 310). Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



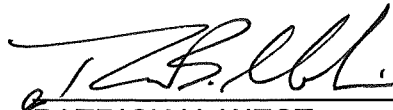
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DIRECTOR, LONG BEACH AIRPORT



MICHAEL P. CONWAY
DIRECTOR, ECONOMIC AND
PROPERTY DEVELOPMENT

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APPROVED:



PATRICK H. WEST
CITY MANAGER