



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-22

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 10, 2008

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the Fourth Extension Agreement to Lease No. 9406 between the City of Long Beach (Lessor) and Chevron U.S.A., Inc. (Lessee) for the continued operation of the service station at 3405 North Lakewood Boulevard through December 31, 2008, at a monthly rental rate of \$12,249, with continued access to the premises through March 31, 2009, at no cost, for restoration of the premises. (District 5)

DISCUSSION

On November 14, 1967, the City Council authorized the execution of Lease No. 9406 with Standard Oil Company of California, predecessor in interest to Lessee, for the operation of a gasoline service station on City-owned property at 3405 North Lakewood Boulevard (Premises) at the northwest corner of Lakewood Boulevard and Donald Douglas Drive for an initial 25-year term. Subsequent amendments extended the term through May 31, 2008.

Effective April 1, 2009, the California Environmental Protection Agency, Air Quality Resources Board will require that all gasoline service stations with underground storage tanks shall have a Phase II Enhanced Vapor Recovery System in operation to reduce gasoline vapor emissions. This policy will affect the improvements on the Premises. In light of these new requirements, the Lessee has made the decision to discontinue operations on the Premises in the near future. The current lease term expired on May 31, 2008. The Lessee is currently operating under a holdover status while a firm decision was reached regarding future operations.

The Lessee has requested a lease term extension to continue operations through December 31, 2008. In addition, the extension will allow time for discussions between the Lessee and the Lessee's current on-site operator regarding a potential assignment and further extension of the lease for the continued operation of the station. The City would be in favor of such an arrangement; however, any proposed agreement would

require City Council approval. In the event no agreement is reached prior to December 31, 2008, the Lessee shall discontinue operations and remain on the Premises through March 31, 2009, to allow for the demolition of site improvements, the removal of underground storage tanks and the environmental remediation of the Premises. Thereafter, the City will evaluate the future use of the Premises.

In an effort to accommodate the Lessee's request to continue to provide services from the Premises, and in the event a further extension of the lease to continue operation of the station beyond December 31, 2008 cannot be achieved, a proposed Fourth Extension Agreement to Lease No. 9406 has been negotiated containing the following major terms and provisions:

- Length of Term: The term shall be extended for an additional ten-month period through March 31, 2009. The term may be further extended at the discretion of the City Manager to provide for additional time to complete environmental remediation of the Premises.
- Rent: Effective and retroactive to June 1, 2008, the base rent shall increase from \$11,546 to \$12,249 per month as determined by the increase in the Consumer Price Index (CPI). Notwithstanding the foregoing, rent shall be abated beginning the first day Lessee ceases operations, and such abatement shall continue through the remainder of the term until March 31, 2009.
- Site Restoration: The Lessee shall cease operations as a gasoline service station on or about December 31, 2008 and shall have continued access to the Premises through March 31, 2009, to complete the removal of all improvements and all necessary environmental remediation. Lessee shall provide the City with copies of all environmental documentation, including without limitation, Phase I and Phase II environmental reports. Lessee shall be solely responsible for all costs associated with restoration of the Premises including the procurement of all necessary permits.

All remaining terms and provisions of Lease No. 9406 shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on May 19, 2008 and Budget Management Officer Victoria Bell on May 22, 2008.

TIMING CONSIDERATIONS

City Council action is requested on June 10, 2008, in order to finalize and execute the Fourth Extension Agreement.

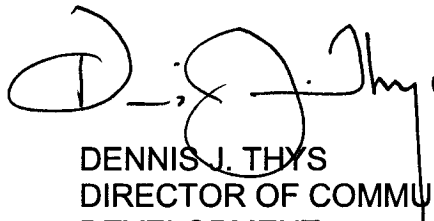
FISCAL IMPACT

Revenue in the amount of \$85,743 for the extended term of the agreement 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,


DENNIS J. THYS
DIRECTOR OF COMMUNITY
DEVELOPMENT


CHRISTINE EDWARDS
ASSISTANT AIRPORT
MANAGER

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APPROVED:


PATRICK H. WEST
CITY MANAGER