



CITY OF LONG BEACH

C-9

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 9, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the First Amendment to Amended and Restated Lease No. WDL-96 with Kilroy Realty, L.P., a Delaware Limited Partnership, for City and Water Department-owned property at the Kilroy Airport Center. (District 5)

DISCUSSION

On May 21, 2002, pursuant to Ordinance No. C-7808, the City Council authorized the General Manager of the Water Department to execute Amended and Restated Lease No. WDL-96 (WDL-96) with Kilroy Realty, L.P., a Delaware Limited Partnership (KRC), for Water Department and City-owned land at the Long Beach Airport. On September 3, 2002, the City Council authorized the execution of a Memorandum of Understanding between the Water Department and the City of Long Beach authorizing the City to act as the administrator of WDL-96. Effective as of April 1, 2003 and expiring on July 16, 2084, WDL-96 sets forth terms and conditions for the development of approximately 9.16 acres of land located adjacent to and westerly of Phase I through III of Kilroy Airport Center (Site). The Site is comprised of a 5.1-acre City-owned parcel formerly leased to the California National Guard (Parcel 7 or the CNG Parcel) and a 4.06-acre Water Department-owned parcel (Parcel 9). Together with an adjoining 2.92-acre Water Department-owned parcel (Parcel 10), leased to KRC under Parking Lot Lease WDL-112, Parcels 7, 9 and 10 are considered Phase IV of development of the Kilroy Airport Center. Please see the attached Exhibit "A".

As set forth in WDL-96, KRC has been paying Holding Rent in the amount of \$12,500 per month from the date that the CNG Parcel was delivered to KRC (on or about April 15, 2003) to the present. WDL-96 provides that the City and KRC will determine the Initial Ground Rent for the Site through negotiations over a six-month period commencing on or about April 14, 2007 and ending on or about October 14, 2007 (54 months after the delivery of the CNG Parcel). At the end of this process, KRC would (i) commence the construction of improvements, (ii) commence payment of Initial Ground Rent, or (iii) terminate WDL-96. The City and KRC have been engaged in continuous discussions regarding the Initial Ground Rent, however, because of the complexity of the various issues concerning the development of the Site and existing market conditions, the Initial Ground Rent negotiation and appraisal process has not been concluded. To

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allow for the orderly conclusion of this process to the City's best interest, it is recommended that WDL-96 be amended to provide that the Holding Rent in the amount of \$12,500 per month continue until completion of the office building(s) on the Site by KRC or sixty-three (63) months after the delivery of the CNG Parcel to KRC (July 14, 2008), whichever first occurs. The remaining terms and conditions of WDL-96 would remain unchanged. The Board of Water Commissioners approved a similar recommendation at its meeting of October 4, 2007.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on October 1, 2007 and Budget and Performance Management Bureau Manager David Wodynski on September 28, 2007.

TIMING CONSIDERATIONS

City Council action is requested on October 9, 2007 in order to execute the First Amendment in a timely manner.

FISCAL IMPACT

Total monthly holding rent in the amount of \$12,500 shall continue to accrue to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW) in the amount of \$6,962.50 and to the Water Fund (EF 310) in the Water Department (WD) in the amount of \$5,537.50. There is no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted:



MICHAEL P. CONWAY
ACTING DIRECTOR OF
COMMUNITY DEVELOPMENT

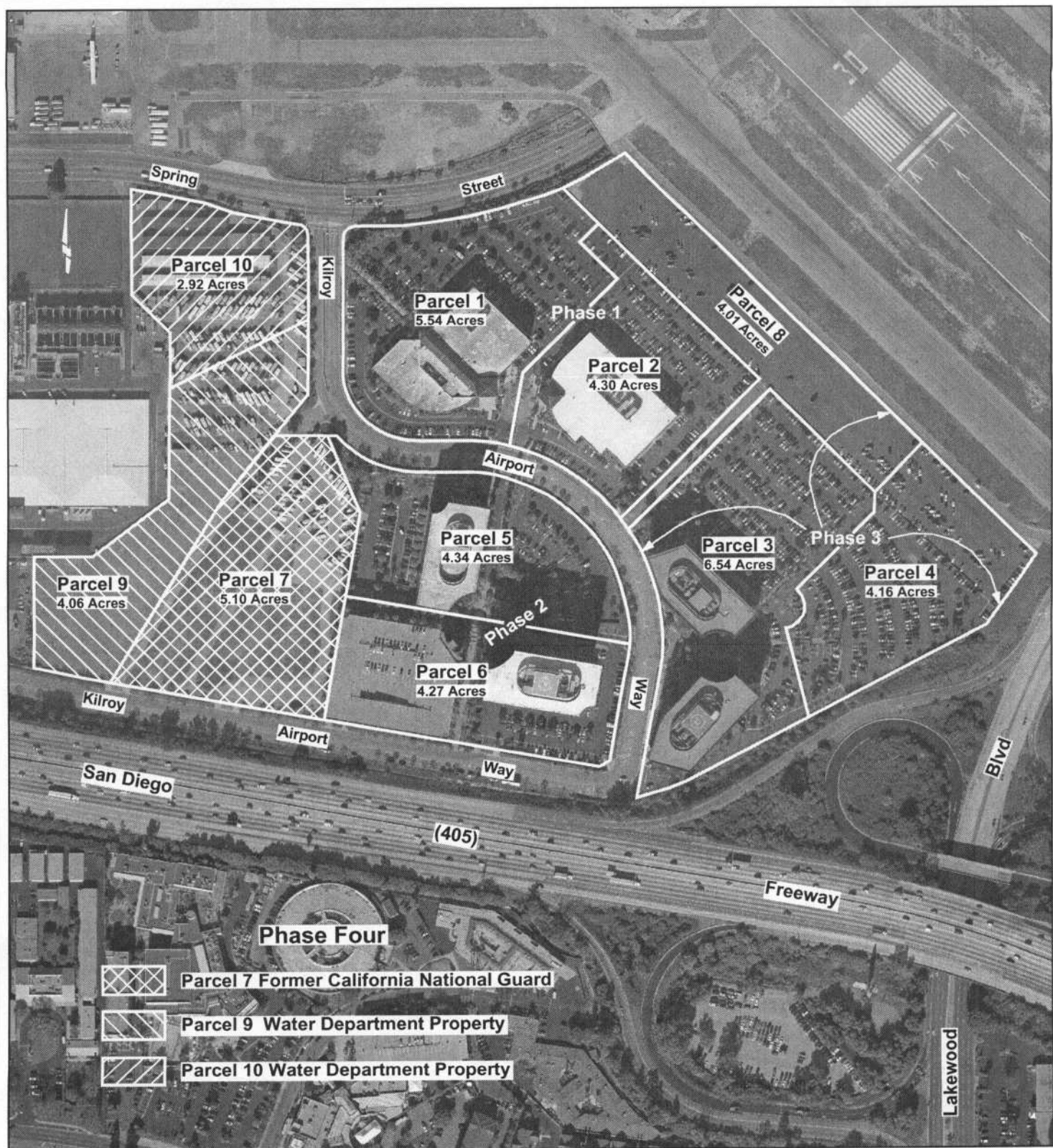
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Attachment: Exhibit "A"


CHRISTINE F. ANDERSEN
AIRPORT MANAGER

APPROVED:



PATRICK H. WEST
CITY MANAGER



s.smith/public works/engineering - 9/25/07

CITY OF LONG BEACH - CALIFORNIA
DEPARTMENT OF PUBLIC WORKS

Kilroy Airport Way Parcels
Phase Four
Exhibit "A"