



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

December 7, 2004

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

SUBJECT: Lease With an Option to Purchase of Former Railroad Right-of-Way Adjacent to the Long Beach Airport (Assessor Parcel Numbers 7149-007-802, 7149-007-803 and a Portion of 7149-007-801) From SEY Corporation, a California Corporation, (City of Lakewood Bordering District 5)

DISCUSSION

In the late 1800's, an 80-foot wide railroad right-of-way was established in an area that now borders the western edge of the Long Beach Airport between 36th Street to the south and Cover Street to the north. The Union Pacific Railroad Company recently abandoned and sold this property to a private party for development. The property remains vacant and undeveloped and has been offered for sale to the Airport by its current owner, the SEY Corporation.

This parcel of land is approximately 170,384 square feet and lies within the City of Lakewood (see Exhibit "A"). Given the proximity of this property to the Airport, acquiring this land would have two significant advantages for the City: first, the land would be kept undeveloped; and, second, ownership of this property would provide for additional vacant land that would enhance the overall safety of Airport operations in this area, which is adjacent to two active runways.

Certain Federal Aviation Administration (FAA) funding sources should be available within the next few years that would allow the Airport to acquire this land. The owner is willing to lease the property to the City for five years with an option to purchase at anytime during the lease term. The proposed first year annual rent would be \$107,268 (\$8,939 per month or 63 cents per square foot per year) and the purchase price during the first year would be \$1,788,928 (\$10.50 per square foot). The rent would increase by 3 percent annually. The sales price would increase by 3 percent after the first year and 5 percent in years three, four, and five.

The terms and conditions of the proposed lease with an option to purchase will be as follows:

- Use of Premises: The Premises shall be used for runway safety and additional compatible uses.
- Length of Term and Option to Purchase: The term of the lease will be five years commencing January 1, 2005 to December 31, 2009. The City will have the right to purchase the property at any time during this period.
- Rent/Sale Price: The annual rent and purchase price shall be as follows:

Year 1	\$107,268 Annual Rent (63 cents per square foot per year), \$1,788,928 Sale Price (\$10.50 per square foot);
Year 2	\$110,486 Annual Rent (65 cents per square foot per year), \$1,842,596 Sale Price (\$10.81 per square foot);
Year 3	\$113,801 Annual Rent (67 cents per square foot per year), \$1,934,726 Sale Price (\$11.36 per square foot);
Year 4	\$117,215 Annual Rent (69 cents per square foot per year), \$2,031,462 Sale Price (\$11.92 per square foot); and,
Year 5	\$120,731 Annual Rent (71 cents per square foot per year), \$2,133,035 Sale Price (\$12.52 per square foot).

This letter was reviewed by Deputy City Attorney Everett Glenn on November 17, 2004 and Budget Management Officer David Wodynski on November 23, 2004.

TIMING CONSIDERATIONS

City Council action is requested on December 7, 2004 to proceed with the project in a timely manner.

FISCAL IMPACT

FAA funding will be pursued for the purchase of the site. In the interim, sufficient appropriation to cover the annual lease payments are included in the Airport Fund (EF 320) in the Department of Public Works (PW).

HONORABLE MAYOR AND CITY COUNCIL
December 7, 2004
Page 3

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a Lease with an Option to Purchase of former railroad right-of-way adjacent to the Long Beach Airport (Assessor Parcel Numbers 7149-007-802, 7149-007-803 and a portion of 7149-007-801) and all related documents from SEY Corporation, a California Corporation.

Respectfully submitted,



for
MELANIE S. FALLON
DIRECTOR OF
COMMUNITY DEVELOPMENT

MSF:CFA:VA:lel
Attachment : Exhibit "A"
12.7.04 CC Ltr Railroad Right-of-Way



CHRISTINE F. ANDERSEN
DIRECTOR OF
PUBLIC WORKS

APPROVED:



GERALD R. MILLER
CITY MANAGER