



## Legislation Text

---

**File #:** 06-0247, **Version:** 1

---

Recommendation to authorize City Manager to execute the First Amendments to leases for Parcels 3 and 5 of Parcel Map No. 15307 with Tarmac Holdings, LP, a Delaware limited partnership, for City-owned property at the Long Beach Airport Business Park at 5000 and 5001 Airport Plaza Drive. (District 5)

On April 21, 1981, the City Council approved Master Lease No. 15383 with Long Beach Airport Business Park (LBABP), composed 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 Master Lease provides for a 50-year term and will expire July 7, 2032.

The Site was divided into 12 parcels each with its own individual lease, which were subleased for development (see Attachment "A"). 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. Parcels 3 and 5 of the Site have been subleased and assigned to various entities over the years.

In 2000, all rights, title and interest in the leases for Parcels 3 and 5 were assigned to Tarmac Holdings, LP, doing business as Investcorp.

Investcorp has requested 18-year extensions of the term of the leases for Parcels 3 and 5 in order to refinance its long-term investment in the two existing office buildings of approximately 74,000 and 51,000 square feet and adjacent parking lots. 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 Investcorp has agreed to pay in a lump sum. Consistent with KMA's recommendation, a one-time payment of \$1,326,000 reflects the value of the extended term of the leases.

This amount would be paid to the Airport Enterprise Fund upon execution of the First Amendment. Terms and conditions of the existing leases would continue through the extended term including monthly rent. Monthly rent would adjust by increases in the 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 will be extended 18 years and will terminate on July 7, 2050, co-terminus with the majority of the leases at the Site.

. **Extension Fee Payment:** A one-time payment of \$1,326,000 will be provided to the Airport Enterprise Fund representing the present value of the extended term of the leases for Parcels 3 and 5.

. **Insurance:** Insurance requirements will be updated as required by Risk Management.

. Conditions, Covenants and Restrictions and Maintenance Declarations: The entire Site is subject to certain other rights established by Conditions, Covenants and Restrictions and Maintenance Declarations. The City agrees to honor these rights and obligations through the extended term of the leases for Parcels 3 and 5.

. Parking Rights: Investcorp is party to a separate Parking Rights Agreement with LBABP that allocates parking located in Parcels 2 and 6 of Parcel Map 15307 for the benefit of Parcels 3 and 5. Investcorp intends to seek the extension of the term of the Parking Rights Agreement and the City agrees to honor the Parking Rights Agreement during the extended term.

This letter was reviewed by Deputy City Attorney Everett Glenn on March 8, 2006 and Budget Management Officer David Wodynski on March 10, 2006.

City Council action is requested on March 21, 2006 in order to execute the First Amendments in a timely manner.

Annual lease rental payments of \$152,761 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 \$1,326,000 will accrue to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW) for FY 06.

Approve recommendation.

PATRICK H. WEST  
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

\_\_\_\_\_  
GERALD R. MILLER  
CITY MANAGER