Legislation Details (With Text)

File #:	20-1168	**Version:**	1	**Name:**	LBA - Lease Amendment with Fuel Controls D5
Type:	Contract			**Status:**	CCIS
File created:	11/10/2020			**In control:**	City Council
On agenda:	12/8/2020			**Final action:**	12/8/2020
Title:	Recommendation to authorize City Manager, or designee, to execute any and all documents necessary for the Third Amendment to Amended and Restated Fixed Base Operation Lease No. 7819 with Fuel Controls, Inc., a California corporation, for City-owned property at 3605 East Spring Street. (District 5)				
Sponsors:	Long Beach Airport				
Indexes:					
Code sections:					
Attachments:	1. 120820-C-20sr.pdf				

Date	Ver.	Action By	Action	Result
12/8/2020	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary for the Third Amendment to Amended and Restated Fixed Base Operation Lease No. 7819 with Fuel Controls, Inc., a California corporation, for City-owned property at 3605 East Spring Street. (District 5)

Since 1971, approximately seven acres of City-owned property at 3605 East Spring Street at the Long Beach Airport (Airport) has been leased to Fuel Controls, Inc. (Fuel Controls), for aviation purposes, under Amended and Restated Fixed Base Operation Lease No. 7819 (Ground Lease). Between 1997 and 2012, the Ground Lease was amended to expand the leased premises, amend certain financial terms, and extend the term of the Lease through August 31, 2023. Since 1990, Fuel Controls has subleased a portion of the leasehold to Federal Express Corporation (FedEx), a worldwide cargo/freight operator and one of two cargo/freight operators at the Airport. FedEx continues to occupy office space in the building and occupies the majority of the hangar and ramp space on the leasehold.

Fuel Controls has requested an extension of the Ground Lease to continue its operations with FedEx and to amortize over a ten-year term a series of capital improvements to the leasehold. Negotiations between staff and Fuel Controls have resulted in a proposed Third Amendment to Amended and Restated Fixed Base Operation Lease No. 7819 containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Fuel Controls, Inc., a California corporation.

- Leased Premises: Approximately 7.482 acres of land at 3605 East Spring Street at the Airport.

- Commencement Date: The Commencement Date for the Third Amendment will be February 1, 2021.

- Term: The term of the Ground Lease will be extended through January 31, 2031, to provide for a full ten years from the Commencement Date.

- Rent: The current monthly ground rent is $13,128 or $0.040 per square foot. Effective June 1, 2021, the initial monthly ground rent for the Leased Premises will increase to $21,823 per month or $0.067 per square foot.

- Annual Rental Adjustment: Effective June 1, 2022, the monthly ground rent for the Leased Premises will be subject to annual increases based on the Consumer Price Index (CPI). In no event will the annual increase be less than 2 percent per year nor more than 7 percent per year.

- Fair Market Rental Adjustment: Effective June 1, 2026, the monthly ground rent will be adjusted to a fair market rental rate based on an appraisal of the Leased Premises in-lieu of the scheduled annual CPI increase.

- Capital Improvements: Prior to September 1, 2023, Tenant will complete a series of capital improvements to the Leased Premises. Planned improvements will include repaving of the ramp, upgrades to the fuel farm, exterior painting, new exterior signage, and remodeling of the restrooms. The timeline for completion of the capital improvements may be extended at the sole discretion of the Airport Director.

- Permitted Uses: Effective September 1, 2023, the use of the Leased Premises will conform to the requirements of the most recent version of the Airport Minimum Standards adopted in 2017.

All remaining terms and provisions of Amended and Restated Fixed Base Operation Lease No. 7819 will remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and Budget Analysis Officer Julissa José-Murray on November 10, 2020.

City Council action is requested on December 8, 2020, to execute the Third Amendment to Amended and Restated Fixed Base Operation Lease No. 7819 in a timely manner.

Annual revenue of $157,536 for Amended and Restated Fixed Base Operation Lease No. 7819 with Fuel Controls will remain unchanged until May 31, 2021. Effective June 1, 2021,

annual revenue will increase by $104,340 for a total of $261,876 per year. Revenue will accrue in the Airport Fund Group in the Airport Department. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

[Enter Body Here]

CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

APPROVED:

THOMAS B. MODICA
CITY MANAGER

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