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CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

02 DEC 12 AM 10:00
CITY OF LONG BEACH
ADMINISTRATIVE

December 17, 2002

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Lease Termination Agreement With the State of California for the California National Guard Site at the Long Beach Airport (District 5)

DISCUSSION

In 1965, the City entered into a 50-year lease with the State of California (State) to operate facilities for the California National Guard (CNG) on Long Beach Airport property. For the past 12 years, the City has requested CNG to vacate this site to allow for further development of the adjoining Kilroy Airport Center (Kilroy). The CNG site has long been identified as a potential area for development in Kilroy's existing leases with the City and the Water Department.

The CNG vacated the site in early 2002 and consolidated its operations in Los Alamitos. The 5.1-acre site has a remaining 13-year lease term with an appraised value of \$550,000 and the State has agreed to accept this amount for early termination of the lease.

To terminate the lease early, a Lease Termination Agreement between the State and the City is required. The City's Airport Enterprise Fund will also need an appropriation increase of \$550,000 to compensate the State for the early lease termination.

After the State and City terminate the CNG lease, this property will be leased to Kilroy for development, in conjunction with Parcels 9 and 10 shown on Exhibit "A," which are included in Kilroy's development through a separate lease with the City's Water Department. Development of this area will complete the Kilroy Airport Center project and may include two or more multi-story office buildings, along with a hotel and surface parking lot on a total of approximately 12.1 acres of land.

The City of Long Beach will receive \$6,961 per month (\$83,532 per year) from Kilroy as holding rent during the development phase of the project. Kilroy will pay full market ground rent as determined by an appraisal upon completion of construction, or 54 months, whichever occurs first.

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This item was reviewed by Deputy City Attorney Everett Glenn on December 4, 2002, and Budget Manager Michael Killebrew on December 9, 2002.

TIMING CONSIDERATIONS

City Council action on this matter is requested on December 17, 2002, in order to terminate the leasehold interest of the State in an expedient manner.

FISCAL IMPACT

The cost associated with the early lease termination is \$550,000. This expense was not included in the Public Works, Airport Bureau's FY 2002-03 budget. Since the \$550,000 is currently unbudgeted, an appropriation increase is included in the recommendation below. Increased revenue from the Airport's current parking operations is expected to fully offset this expense within six months.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Authorize the City Manager to execute a Lease Termination Agreement with the State of California for early termination of the California National Guard lease at the Long Beach Airport; and
2. Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$550,000 to fund the compensation being paid to the State of California for the remaining value of the California National Guard lease term.

Respectfully submitted,


MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT

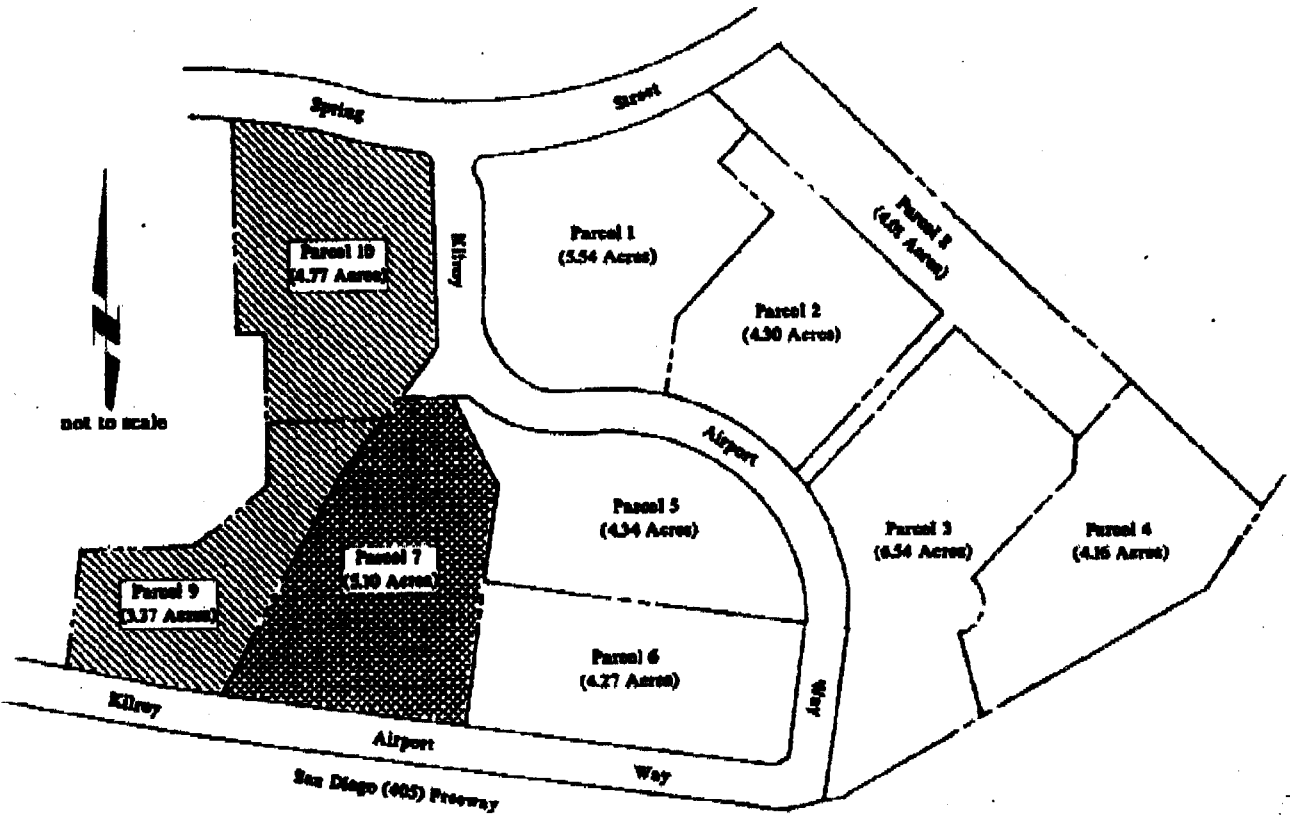

EDWARD K. SHIKADA
DIRECTOR OF PUBLIC WORKS




MSF:RMS:VLA:nb
Attachment: Exhibit "A"

APPROVED:


GERALD R. MILLER
ACTING CITY MANAGER

Parcel Map



-  Parcel 9
-  Parcel 10
-  Parcel 7 California National Guard

e.smith/public works/engineering

CITY OF LONG BEACH - CALIFORNIA
DEPARTMENT OF PUBLIC WORKS - EDWARD K. SHIKADA, DIRECTOR

Kilroy Airport Way Parcels Phase Four Exhibit "A"