

# Airport Leasing Managers Maintain Tenants In Tough Economic Climate

## Shifts At Daugherty Sky Harbor; New Owners Vow To Replace daVinci's Restaurant

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Despite management changes and a rough economy for general aviation and independent businesses at the Long Beach Airport, master leaseholders of Parcel J along Spring Street feel confident about maintaining their tenant base.

New management is now handling the lease for parcels of a diverse business park developed more than 10 years ago as Daugherty Sky Harbor. David Neary, who was in charge of the original development since 1998, as the former owner and operator of WestLand Construction, has apparently cut all ties to the company that leases space out to tenants, including a retail building, an office building and aircraft hangars.

Subsequently, daVinci's restaurant, which opened September 24, 2006, on the top level of a central three-story building overlooking the airport, closed its doors about a month ago, and two aircraft hangars remain empty. After years of preparation by the developer, the upscale Italian restaurant had been envisioned as a focal point of the development.

But, Jon Sweeney, a real estate broker of ADG Commercial, representing the new master tenant, told the Business Journal that the leaseholders feel "very comfortable" with being able to find a new restaurant. He added that an adjacent building with 30,000 square feet of office space remains 94 percent occupied, and that the 10,000-square-foot second floor of the daVinci build-

ing is fully occupied as office space.

The city's contract with the master tenant known as Westland Parcel J Partners, LLC, in charge of parcels 2, 3 and 4, is for a 40-year lease term. While the city owns the ground lease, all improved buildings are owned by a total of six master tenants that sublease nine parcels of space out to various subtenants, according to Juan Lopez-

challenges meeting expenses," Lopez-Rios said. "They have indicated business is down, and it wasn't what it was before. Some of our tenants are larger companies and are able to absorb from a larger corporate bottom line . . . Parcel J is experiencing probably the toughest situation as independent businesses."

Candy Robinson, owner of the Long

the companies like mine are diversified, to weather [the recession] while money flounders. I really hope this is the end of the second dip in the recession," Robinson said.

Airport staff also discussed an apparent change in management at Rainbow Air, another flight academy at Parcel J that also offers FBO services and flight charters. Lopez-Rios

obligation to subtenants, Lopez-Rios said the city tries to step in as much as it can to assist in negotiations as any loss of tenants can impact business as a whole. "It's in the bank's and the city's and Amazing Grace's best interests to have a tenant that's operating and viable," he said. "The loss of that parcel would affect those subtenants. As an entity we have the right to consent to that sale. We can default the lease . . . At this point there is no formal bankruptcy."

Lopez-Rios also said the city is currently working on providing incentives to retain JetSuite, a private jet operator at Parcel J, after a report in the Business Journal that CEO Alex Wilcox said the company is "considering" moving the operation to Henderson, Nevada.

In regards to any increase in rent to master tenants at Parcel J, following the city's decision to appraise the property for fair market value last year, Lopez-Rios said the city is currently in negotiations with leaseholders on a regular basis but hasn't yet implemented any rate hike. The reassessment, which some tenants have said would be a 20 percent increase in rates, would be retroactive to March 12, 2009, when the property was revalued. However, rent rates vary depending on the type of property use and zoning. Under the terms of the lease the city has the right to reassess the property every 10 years.

Airport Director Mario Rodriguez said in a phone interview that the city has maintained a "fair and reasonable" relationship with its general aviation

partners and operational costs are fairly low compared with other airports. As the airport continues marketing plans and upgrades to its terminal facilities, he sees business turning around in time.

"Everybody will eventually get out of this like they have, and aviation is very cyclical in the larger sense," Rodriguez said. "We're holding our own at the Long Beach Airport. The city is doing as much as it can within its rules to assist our business partners . . . The cost of operations for [general aviation] facilities at the airport is extremely low and extremely competitive compared to all the other airports in this area." ■



DaVinci's restaurant, which closed last month after four years of operation, was one of the focal points of Parcel J on the south side of the Long Beach Airport, pictured above in this rendering. But the master leaseholder, Westland Parcel J Partners, LLC, is confident it will soon attract another top quality restaurant. Parcel J, fronting Spring Street, consists of seven master leaseholders. Westland has the three-story office building, which is 94 percent leased, and 10,000 square feet of office space below the restaurant is fully leased.

Rios, the airport's spokesperson and leasing manager.

Some tenants of Parcel J expressed concerns during the October 18 meeting of the Long Beach Airport Advisory Commission that recent changes have had an impact on their business as well. City officials, however, discussed efforts to attract more business by marketing general aviation.

"Some of our tenants are seeing

Beach Flying Club & Flight Academy, a master tenant that has leased space at Parcel J since 1980, brought up various concerns during the commission meeting, including whether nearby tenants are staying in business. She said the number of students coming through the airport has largely decreased because of the economy, and she has had to offer a wider variety of services just to stay afloat. "Some of

indicated that the tenant's lease was apparently up for sale. Currently, the city and the tenant's master leaseholder Amazing Grace, LLC, is working with David Parsons, executive vice president of Rainbow Air, as well as other tenants on that parcel so those businesses can continue to operate. Parsons could not be reached for comment.

While the city has no contractual

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