



Administrative Report

H.6., File # 20-1282

Meeting Date: 10/6/2020

To: MAYOR AND CITY COUNCIL

From: JOHN LA ROCK, COMMUNITY SERVICES DIRECTOR

TITLE

APPROVAL OF THE SIXTH AMENDMENT TO THE LICENSE AGREEMENT WITH NORTHROP GRUMMAN SYSTEMS CORPORATION FOR USE OF THE AVIATION PARK GYMNASIUM AND A RENTAL FEE PAID TO THE CITY IN THE AMOUNT OF \$9,404 PER MONTH FOR THE TERM APRIL 1, 2021 THROUGH MARCH 31, 2024 AND A TOTAL VALUE OF \$338,544, WITH OPTIONS TO EXTEND THROUGH MARCH 31, 2030.

EXECUTIVE SUMMARY

The public/private partnership between the City and Northrop Grumman for use of Aviation Gymnasium began in 1990 and continues through a negotiated license agreement. The recommended Sixth Amendment to the License Agreement has been prepared to continue the successful relationship between the parties under the original agreement and all subsequent amendments. Under the Sixth Amendment, the annual fee for Northrop Grumman's use of the facility will be \$112,848. In addition to the use agreement for the Aviation Gymnasium, the City and Northrop Grumman maintain a separate agreement for the City's use of North Grumman property parking to support the events and activities at the Redondo Beach Performing Arts Center and the Aviation Gymnasium and Park.

The term of the Sixth Amendment is for a period of three years, beginning on April 1, 2021 and expiring on March 31, 2024. Extensions of the amendment and agreement are available to the parties for 2 three-year terms beyond the termination date of the recommended Sixth Amendment.

BACKGROUND

Since 1990, a use agreement between the City and Northrop Grumman for use of the Aviation Park Gymnasium has generated income to offset operating costs of the Gym, while minimally impacting the community recreation and organized sports that use the facility. The user agreement and amendments require monthly rent paid by Northrop Grumman to the City for Northrop's use of the facilities. In addition to the use fees, the use agreement is companion to a separate agreement between the City and Northrop Grumman providing the City with access to parking lot space on Northrop Grumman property to support the nighttime and weekend events at the Redondo Beach Performing Arts Center and Aviation Gymnasium and Park.

The original use Agreement between the City and Northrop Grumman for the use of Aviation Gym was executed on April 7, 2009, for a term of three years, expiring on March 31, 2012. A First

Amendment to the Agreement was executed on May 1, 2012, for a term of three years, expiring on March 31, 2015. A Second Amendment to the Agreement was executed on April 16, 2013, which included permission for Northrop Grumman to install an electronic card reader employee access system to the Fitness Center portion of the Gymnasium. A Third Amendment to the Agreement was executed on August 6, 2013, and included approved construction plans for the installation of underground fiber optics conduit and cable related to the electronic card reader system. A Fourth Amendment was executed on February 15, 2017, which included a three-year term and an option to extend for an additional three years. A Fifth Amendment was executed on April 1, 2018, for a period of three years and expires on March 31, 2021.

To ensure continuing access and operations at the Aviation Gym fitness center for Northrop Grumman employees, a Sixth Amendment has been prepared that includes the following term highlights:

- Exclusive use of the Fitness Center portion of the Premises (Rooms G-7, G-8 and G-9)
- Non-exclusive use of the Restroom/Locker Room portion of Aviation Gym
- Exclusive use of the Large and Small Gyms portions of Aviation Gym between the hours of 11:30 a.m. & 1:30 p.m. Monday through Friday except, holidays and when used for City sponsored functions/events up to six times per year
- Exclusive use of the Dance Room portion of the Premises (Room G3) between the hours of 6:00 & 8:00 a.m., and 12:00 p.m. & 1:00 p.m. Monday through Friday, and 4:45 & 5:45 p.m. Monday, Wednesday and Thursday; and 5:30 p.m. & 6:30 p.m. Tuesday and Friday except when used for City sponsored functions/events up to six times per year
- Non-exclusive, noon time use of the Aviation sports field when not scheduled for organized sports or recreation activities, other City events, or are closed due to weather or for maintenance purposes
- A provision of space to store miscellaneous fitness equipment, if available
- An option to extend the amendment and agreement term for 2 periods of three years each

In exchange for Northrop's use of the facilities, the City will receive:

- Annual rent of \$112,848
- Use of identified Northrop Grumman parking lots during evening and weekend hours for performances and events at the Redondo Beach Performing Arts Center and for other City sponsored events at Aviation Park (terms for parking lot use are under a separate agreement between the City and Northrop Grumman)

COORDINATION

This report is prepared by the Community Services Department. The City Attorney's Office has approved the Sixth Amendment to the Agreement as to form.

FISCAL IMPACT

The Sixth Amendment to the Agreement between the City and Northrop Grumman for use of the Aviation Gymnasium fitness center includes an annual fee in the amount of \$112,848. Over the term

of the Sixth Amendment, the fees paid to the City will total \$338,544. Fee revenue from the Northrop Grumman License Agreement and Amendments is used to offset the Aviation Gymnasium's annual operating expenses.

There are no additional costs to the City as a result of this proposed Sixth Amendment.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

1. Northrop Grumman facility use amendment #6
2. Northrop Grumman facility use original agreement, amendments #'s 1-5
3. Northrop Grumman insurance documentation