



Date: October 4, 2005
To: *for* Gerald R. Miller, City Manager *R.A.*
From: Patrick H. West, Director of Community Development *PHW for*
For: Mayor and Members of the City Council
Subject: Agenda Item #31 - Lease for City-owned Property at 600 Queensway Drive (former Naga Restaurant)

Staff has received additional communication (attached) from a community member regarding the subject agenda item. While no questions were raised, staff believes it prudent to summarize the communication and provide comments.

Communication dated October 1, 2005 was received from Scott Robinson of Hotel Development Advisors, LLC wherein Mr. Robinson states that two hotel groups have carefully looked at the Naga Restaurant site (Site) and are prepared to offer the City of Long Beach \$2.8 million to lease the Site under the same terms and conditions as Ensemble (the parent company of the proposed lessee). Additionally, these groups are prepared to pay the current owner of the Site \$100,000 more than Ensemble is currently prepared to pay to assume their ground lease with the City. Lastly, it is stated that these two hotel development groups have much more hotel operations and development experience than Ensemble.

The City currently leases the Site to Long Beach Group Inc., doing business as Naga Restaurant. The City is contractually obligated to deal with its lessee on issues related to the lease. The lessee has been marketing its property for a number of months, particularly focused on hotel or restaurant uses. After a number of interested parties investigated and rejected the Site, the lessee approached the City requesting the City's consideration of an assignment of the existing lease to LBH Land Holding Company, LLC, (LBH) who has made an offer to purchase the leasehold interest in the property. LBH has concurrently requested that the City enter into an Amended and Restated Lease to allow for the demolition of the restaurant and the construction of a hotel.

The limit of the City's consideration is the request of its lessee to assign the existing lease to LBH. While there may be opportunities that have recently emerged, even after the extensive marketing of the site, these opportunities are clearly speculative in comparison to the proposal before the Council.

It is important to consider that LBH has been researched by the City's real estate economic consultant, Keyser Marsten Associates, and determined to be well suited, both financially and operationally, to develop and operate a hotel. Additionally, a local MAI appraiser determined the current value of the land, upon which the future level of rental payments are based. The value is based on similar sized properties which are zoned for similar development. A significant factor that affects the value of the property is the lack of easy access.

October 4, 2005

Page 2

Additionally, the factor that most impacts the present value of the 66-year income stream is the under-performing restaurant that exists on the site and that, through its lease, may remain on the Site for an additional 28 years. If this occurs, the City will have lost a redevelopment opportunity, will forego considerable TOT income, and will retain an under-performing, aesthetically unpleasing commercial retail structure on the City's downtown waterfront.

MPC:mpc
Attachment

Hotel Development Advisors, LLC

October 2, 2005

Mike Conway
City of Long Beach
333 West Ocean Blvd.
Long Beach, CA 90802
Fax: (562) 570-6380

Re: Naga Restaurant Site

Dear Mr. Conway:

I recently read that the city is considering leasing the waterfront site known as the Naga Restaurant for a hotel development. I represent two hotel development groups that are interested in building a hotel in downtown Long Beach. These two hotel groups are Remington Hotels and Dimension Development. I am also a resident of the city of Long Beach, and care very deeply for the welfare of my city. I recently heard that the city council is considering a 66-year ground lease with Ensemble Hotel Partners for a 2.34-acre city owned site. I have also read that Ensemble has proposed to lease this site for only \$800,000. The two groups I represent have looked carefully at this waterfront site, and are prepared to offer the city of Long Beach \$1.8 million to lease the site under the same terms and conditions as Ensemble. That **additional \$1 million dollars** would go a long way in restoring some of the many community services that have been cut as part of the city's fiscal budget deficit. I have spoken to the current landowner who indicated that Ensemble will not close on the site unless the city agrees to extend the ground lease under these extremely generous terms. The hotel groups I represent are prepared to pay the current owner of the Naga site \$100,000 more than Ensemble is currently prepared to pay them (\$1,750,000) to assume their ground lease with the city. These two hotel development groups, as I do, believe that the city of Long Beach represents an excellent long-term investment.

I also believe as a resident of the city, that Long Beach needs to fully recognize the potential of its land holdings. Therefore, I believe that it is the cities responsibility to seriously consider if the offer made by Ensemble is truly a fair deal for the citizens of the city. In addition, Remington and Dimension Development Company are well capitalized, and have much more hotel operations and development experience than Ensemble. More information is available on these companies at www.dimdev.com and www.remingtonhotels.com.

I will try contacting your office this week to discuss this opportunity for the city.

Sincerely,



Scott Robinson

CC: Long Beach City Council