



CITY OF LONG BEACH

C-9

DEPARTMENT OF PUBLIC WORKS

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June 4, 2013

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the First Amendment to Agreement No. 29264 with AC-Catalina Landing, LLC, successor in interest to John Hancock Life Insurance Company, to provide a parking revenue credit in an amount not to exceed \$30,000 towards the costs incurred for an interim dredge operation at Catalina Landing. (District 2)

DISCUSSION

On June 27, 2000, the City Council authorized the execution of Lease No. 29263 (Ground Lease) between the City of Long Beach (Landlord) and John Hancock Life Insurance Company, a Massachusetts corporation (Hancock), for City-owned property located at 310 through 340 Golden Shore Avenue (Leased Premises). Commonly known as Catalina Landing, the Leased Premises include four office buildings, a three-story parking structure, and an enclosed marina basin. Concurrent with the execution of the Ground Lease, the parties executed Agreement No. 29264 (Dredge Agreement), which clarified the responsibilities related to the dredging and maintenance of the marina basin throughout the term of the Ground Lease. In June 2002, Hancock assigned all its rights and responsibilities under the Ground Lease and Dredge Agreement to AC-Catalina Landing, LLC (Tenant).

For nearly thirty years, Catalina Express has provided a ferry service from the Catalina Landing Boat Terminal (Terminal) to the City of Avalon on Catalina Island, with over 600,000 passengers traveling out of Long Beach each year. Tenant subleases the Terminal to Catalina Express for the operation of the ferry service with parking available to its passengers in the parking structure located on the Leased Premises. Pursuant to the Dredge Agreement, Tenant pays the City thirty percent (30%) of the annual net revenue generated from Catalina Express parking fees in exchange for the City's ongoing obligation to maintain the marina basin at a minimum depth of fifteen (15) feet at low tide.

The Los Angeles River federal channel serves as the path of egress for the ferry service from the Terminal to the mouth of the Long Beach Harbor on its route to Avalon. Successful operation of the Terminal relies on the navigability of the channel, which is

HONORABLE MAYOR AND CITY COUNCIL

June 4, 2013

Page 2

maintained by the Army Corps of Engineers (Army Corps). Conditions in the channel require that the Army Corps perform maintenance dredging every three to five years to remove sediment deposits. Catalina Express requires a minimum depth of approximately 10 feet to safely operate.

Currently, navigation depth is diminishing in parts of the channel due to sediments deposited from the Los Angeles River and Catalina Express may soon have to cease operations as a result of unsafe depth levels. The Army Corps has been unable to secure federal funding in recent years to complete the project. While it appears that the President's budget may include funding for federal dredging projects in Long Beach and Los Angeles Harbors in early 2014, the Army Corps currently has no funding to solve the immediate problem in the Los Angeles River federal channel.

If Catalina Express ceases operations, the City will lose the beneficial economic impact derived from the over 600,000 passengers utilizing the Terminal annually and forgo approximately \$950,000 in annual Tidelands revenue generated from Catalina Express parking fees. In order to maintain Catalina Express operations from the Terminal in anticipation of the larger dredge in early 2014, an interim solution has been identified to address the most critical area in the channel at this time. This solution involves the creation of a public/private partnership between the City, Tenant and Catalina Express.

As proposed, the Tenant will contract for the removal of approximately 800 cubic yards of material utilizing a diver-operated hydraulic suction dredge. The material will be transported via submerged hose and re-deposited into deeper parts of the riverbed. The City and Catalina Express will partner to secure the necessary permits and environmental clearance for Tenant to perform the work. This interim dredging operation is expected to cost no more than \$100,000 and would be jointly shared by both the City and Tenant, with Tenant paying seventy percent (70%) and the City paying thirty percent (30%) of the actual costs incurred.

To provide for the reimbursement to Tenant for the City's share of the dredging expenses, a proposed First Amendment to Agreement No. 29264 has been negotiated containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: AC-Catalina Landing, LLC, a Delaware limited liability company.
- Parking Revenue Credit: Tenant shall receive a credit against the next parking revenue payment due to City (February 28, 2014) equal to thirty percent (30%) of the actual costs incurred by Tenant for the dredging operation. The credit in no event shall exceed \$30,000.

HONORABLE MAYOR AND CITY COUNCIL

June 4, 2013

Page 3

All remaining terms and provisions of Agreement No. 29264 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Gary J. Anderson and by Budget Management Officer Victoria Bell on May 21, 2013.

TIMING CONSIDERATIONS

Approval of this item is requested on June 4, 2013 to allow work to commence as early as mid-June 2013. Conditions in the channel continue to deteriorate and timely action is necessary to address the situation.

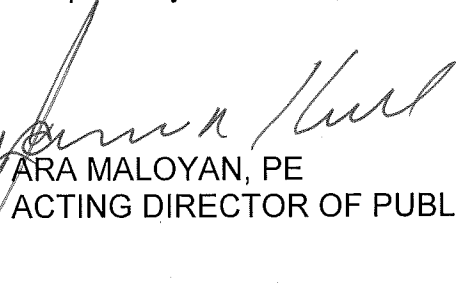
FISCAL IMPACT

The Dredge Agreement provides for approximately \$950,000 in annual parking revenue to the Tidelands Operations Fund (TF 401). Parking revenues for FY 14 are anticipated to be \$920,000 as a result of the recommended credit. Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ARAM MALOYAN, PE
ACTING DIRECTOR OF PUBLIC WORKS

AM:VSG:MTB
06.04.13 Catalina Landing Dredge Agreement v2

APPROVED:


PATRICK H. WEST
CITY MANAGER