



# CITY OF LONG BEACH

Department of Parks, Recreation and Marine

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# C-15

April 18, 2006

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute a Fourth amendment to Lease No. 23858 between the City of Long Beach and Golden Shore Recreational Vehicle Park, Inc., to change the basis for Lease rental payment calculations from gross receipts to gross revenues. (District 2)

## DISCUSSION

On January 24, 1995, the City Council authorized the City Manager to enter into a 25-year lease (Lease No. 23858) with Golden Shore Recreation Vehicle Park, Inc., (GSRVP) for use of approximately five acres of Tidelands Trust property to develop and operate a recreational vehicle park. On September 26, 1995, the City Council authorized the City Manager to execute a First Amendment to the lease to expand the area of the new recreational vehicle park to modify the development schedule, in accordance with the plans for demolition of the Shoreline Aquatic Park, and to enable GSRVP to salvage certain equipment and trees. On April 30, 1996, the City Council authorized the execution of a Second Amendment to provide for a 25-year lease extension option, expansion of both the lease area and the maintenance requirements, and grant permission to GSRVP to sublet a part of the premises for the installation and operation of a telecommunication antenna. On April 15, 2003, the City Council authorized a Third Amendment to clarify lease language concerning base rent adjustments.

Last fall, the City Auditor completed an audit of Lease No. 23858 that included review of payment records, bank statements and tax returns. The audit findings identified the underpayment of rent, in the amount of \$8,379, to the City in Fiscal Year 2003. GSRVP agreed with the audit findings and remitted the appropriate payment to the City, which was deposited in the Tidelands Operating Fund (TF).

In addition, the City Auditor identified a discrepancy in the Tenant's rental payment calculations. Currently, the lease requires a monthly rental payment of 7 percent of the gross receipts received for the prior month. It defines gross receipts as "all receipts received by Tenant, whether for cash, credit, or trade, and whether or not payment is actually made or received, and includes, but is not limited to, fees for use of the premises or the facility, or any part thereof, monies received for the sale of goods or services at, from, or through the premises or the facility whether owned or leased by Tenant." Instead of gross receipts, GSRVP uses gross revenues for the calculation. The lease also

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stipulates that no monthly payment will be less than \$2,500. Additionally, if the total monthly rent paid for a fiscal year is less than the minimum annual rent, the tenant will make an additional payment to the City equal to the difference, by October 31<sup>st</sup> of each year.

GSRVP accepts deposits for reservations prior to guest stays at the facility. Advance reservations are especially popular during the time of the Long Beach Grand Prix. Deposits for reservations have been taken up to six months in advance. If a guest cancels the reservation, GSRVP refunds their deposit. Because of the refund practice, GSRVP does not include deposits in gross receipts, but reports them in the gross revenues, when the guest stays at the facility. GSRVP maintains that recognition of deposits when applied to the guests' stay provides more accurate financial management summaries to both GSRVP and the City. The Tenant reviewed this issue with the City Auditor. The City Auditor agrees and supports GSRVP's continued approach and an amendment to the lease to change the basis for the rental payment calculation from gross receipts to gross revenues.

This matter was reviewed by Deputy City Attorney J. Charles Parkin March 9, 2006, and Budget Management Officer David Wodynski on March 10, 2006.

TIMING CONSIDERATIONS

City Council action is requested on April 18, 2006, to implement the lease amendment.

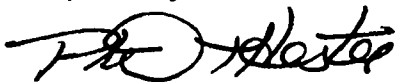
FISCAL IMPACT

There is no fiscal impact associated with the recommended action. Revenues received under the lease will continue to be deposited to the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR).

SUGGEST ACTION:

Approve recommendation.

Respectfully submitted,



PHIL T. HESTER  
DIRECTOR OF PARKS, RECREATION AND MARINE

PTH:GP

APPROVED:

  
GERALD R. MILLER