



Legislation Text

File #: 19-0060, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for the Sixth Amendment to Lease No. 14471 with Marina Drive, Long Beach, LP, a California limited partnership (Lessee), allowing for the early exercise of two, five-year extension options for the continued lease of City-owned property for a restaurant facility at 6550 Marina Drive. (District 3)

On February 6, 1980, the City of Long Beach (City) and the Rusty Pelican Restaurant, Inc., entered into a 40-year lease agreement, Lease No. 14471 (Lease), for the use and occupancy of City-owned real property at 6550 Marina Drive (Premises) (Exhibit A - Site Map). The Lease was subsequently assigned to Marina Drive Long Beach, LP, (Lessee), which recently entered into a sublease with San Pedro Fish Market (Sublessee).

The Lease expires on February 29, 2020, and has two available five-year renewal options. The Sublessee plans to make a considerable capital investment at the Premises, in excess of \$3,000,000. To accommodate the Sublessee's level of investment, the Lessee has requested an early exercise of the two remaining five-year renewal options. This would extend the term through February 28, 2030, and consequently also allow for Sublessee to extend its sublease with the Lessee.

Under the current Lease terms, the City receives 3 percent of gross receipts, with a minimum base rent of \$8,638 per month. In 2017, the minimum base rent of \$103,656 was paid to the City. Staff has negotiated an increase in Percentage Rent to 4 percent. Based on the Sublessee's projected gross receipts, this could result in an estimated increase in rental revenue to \$195,000 per year, which is \$91,344 above the current minimum base rent.

Additionally, the current Lease provides non-exclusive use of up to 126 parking spaces for restaurant use. Parking studies for the proposed San Pedro Fish Market restaurant indicate a peak need far exceeding that number, particularly on weekends. The City proposes to increase the number of non-exclusive use parking spaces provided under the Lease to approximately 300 spaces. This provision would authorize restaurant employees and patrons to park in the existing surface parking lot near the restaurant, subject to availability of spaces. To mitigate any parking impacts at the site, the Economic Development Department will continue to facilitate parking and circulation improvements throughout Alamitos Bay.

To facilitate the ongoing improvements at the Premises, and to expeditiously accommodate the Sublessee's opening of the restaurant, a proposed Sixth Amendment to Lease No. 14471 has been negotiated containing the following major terms and provisions:

- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Marina Drive, Long Beach, LP, a California limited partnership.
- Leased Premises: Approximately 0.211 acres at 6550 Marina Drive.
- Term: Extend termination date from February 29, 2020 to February 28, 2030.
- Percentage Rent: Increase percentage rent from 3 percent to 4 percent of gross receipts.
- Parking: Increase allowed use of non-exclusive parking spaces from 126 to 300.

All remaining terms and provisions of Lease No. 14471 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on December 3, 2018 and by Revenue Management Officer Geraldine Alejo on January 4, 2019.

City Council action is requested on January 22, 2019, to finalize and execute the Sixth Amendment in a timely manner.

An early exercise of the two, five-year extension options to Lease No. 14471 will result in an increase to the percent of gross receipts receipts received by the City from 3 percent to 4 percent. Based on the Sublessee's revenue projections for 2019, annual minimum base rent revenue to the City is estimated at \$195,000, which is a \$91,344 increase over current revenue. Following calendar year 2019, gross receipts are expected to increase by 3 percent per year. Rental revenue from the lease shall continue to accrue in the Marina Fund (TF 403) in the Economic Development Department (ED). There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

GERARDO MOUET
DIRECTOR OF PARKS, RECREATION AND MARINE

APPROVED:

PATRICK H. WEST
CITY MANAGER

