



## Legislation Text

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**File #:** 12-0921, **Version:** 1

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Recommendation to authorize City Manager to execute all documents necessary for the Fourth Amendment to Lease No. 23509 with BANCAP Marina Center, Inc., a California corporation, for City-leased property at 241-255 Marina Drive, known as the Alamitos Bay Marina Center. (District 3)

On February 1, 1994, the City Council authorized the execution of Master Lease No. 23509 (Master Lease) with BANCAP Marina Center, Inc. (Master Tenant), for the remodeling, renovation, and management of City-owned property and improvements at the Alamitos Bay Marina Center (ABMC), formerly known as the Marine Bazaar Complex, at 241-255 Marina Drive. Following the completion of the renovations, the existing tenant leases at ABMC were assigned to the Master Tenant. ABMC is currently occupied by the following subtenants: Stan Miller Yachts (boat broker); Alan Andrews Yacht Design (custom yacht design); West Marine Products (marine retail sales); Scuba Duba (boat hull cleaning and maintenance service); Schooner or Later (restaurant); and the Seal Beach Yacht Club (social club). The Master Lease will terminate on June 30, 2019.

Under the Master Lease, the City receives base rent in the current amount of \$37,803 per month and 70 percent of Net Operating Income (NOI) generated from the project's cash flow. As the City's property manager, the Master Tenant receives a monthly fee equal to 6 percent of subtenant rents and 30 percent of NOI. Under the terms of the Master Lease, one percent of monthly subtenant rents are deposited in a Maintenance Reserve Fund (Maintenance Reserve), which is approximately \$6,000 annually for the ongoing replacement and repair of capital items. The Master Tenant may contract for capital improvements on behalf of the City by utilizing the Maintenance Reserve. The current balance in the Maintenance Reserve is \$30,746.

The City recently commissioned a Building Assessment Report (Assessment) of ABMC to determine the condition of the major building systems of the entire facility. The results of the Assessment identified a series of capital improvements estimated at approximately \$145,500 that will need to be made in the near future, which include repairs to the roof, exterior windows and doors, and the replacement of roof top HVAC units that are beyond their useful lifespan. The current balance in the Maintenance Reserve is inadequate to cover the immediate capital improvement needs of the ABMC.

West Marine Products, Inc. (West Marine), the largest subtenant at the ABMC, recently executed a long-term extension of its sublease with the Master Tenant to facilitate a full remodel and expansion of its retail space at the ABMC. West Marine anticipates spending in excess of \$900,000 in tenant improvements to modernize the interior space and expand its line of products from this location. The estimated timeframe for completion of this project is January 2013. As confirmed by the Assessment, the roof top HVAC units and exterior doors (City Improvements) that serve the West Marine subleased premises need to be replaced at an estimated cost of \$77,550. Staff advises completion of the City Improvements in coordination with West Marine's remodeling/expansion plans. In an effort to expedite the City Improvements in order to coincide with West Marine's construction schedule, the Master Tenant is amenable to funding the City Improvements in exchange for reimbursement through rent credits against the monthly base rent amount due to the City under the

Master Lease. This arrangement would also allow the Maintenance Reserve to remain at its current level and continue to grow to address future repair items.

In an effort to facilitate the completion of the City Improvements, staff recommends the execution of a Fourth Amendment to the Master Lease containing the following major terms and conditions:

- Master Landlord: City of Long Beach.
- Master Tenant: BANCAP Marina Center, Inc., a California corporation.
- Capital Improvement Work: On behalf of Master Tenant, Master Landlord shall contract for the replacement of the HVAC units and certain exterior doors on the West Marine subleased premises for a total amount not to exceed \$95,000. In consideration of said work, Master Tenant shall receive rent credits against the next scheduled base rent payments due to the City equal to the amount of the total costs of the project until fully recovered.

All remaining terms and provisions of Master Lease No. 23509 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard Anthony on September 27, 2012 and Budget Manager Dennis Strachota on October 8, 2012.

City Council action on this matter is requested on October 23, 2012, to promptly execute the Fourth Amendment in order to formalize an agreement with Master Tenant to complete capital improvements in connection with the West Marine expansion and remodeling project scheduled for completion by January 2013.

The Master Lease provides for approximately \$500,000 in annual revenue to the Marina Fund (TF 403). Annual revenues in FY 13 are anticipated at \$422,450 as a result of the recommended action. An offset in this reduction is anticipated (but undeterminable) as a result of the West Marine remodel and expansion due to increased sales. There is no impact to the General Fund. Approval of this recommendation will provide continued support to the local economy.

Approve recommendation.

MICHAEL P. CONWAY  
DIRECTOR OF PUBLIC WORKS

APPROVED:

PATRICK H. WEST  
CITY MANAGER