



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-24

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 6, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for an Amendment to Lease No. 7681 with the Alamitos Bay Yacht Club, a non-profit public benefit corporation (ABYC), for City-owned land and improvements at 7201 East Ocean Boulevard, for an additional 25 years. (District 3)

DISCUSSION

On August 16, 1962, the City executed Lease No. 7681 with the ABYC for City-owned land at 7201 East Ocean Boulevard (Premises) for a term of 25 years at a rental rate of \$1,800 per year. Under the Lease, the ABYC was also required to construct a new clubhouse and related improvements at a cost of not less than \$100,000. Upon completion, ownership of the clubhouse and related improvements was transferred to the City.

On November 15, 1963, the City and the ABYC executed an Amendment to Lease, which expanded the premises to its present size of approximately 102,279 square feet (Exhibit A). On December 2, 1969, the City Council authorized the execution of a subsequent Amendment to Lease, which extended the term until August 15, 2022 at an initial rental rate of \$2,400 per year, with Consumer Price Index (CPI) increases every five years throughout the term. This Amendment to Lease also required a further investment of \$50,000 for capital improvements to the clubhouse. The current lease payment is \$10,984 per annum.

The ABYC is now requesting a 25-year lease extension through October 2047 in order to finance a series of capital improvements, which will enhance the building and facilities. In addition to these capital improvements, the proposed extension includes a thirty-seven percent (37%) increase in the annual base rent to \$15,000 per year, and a significant expansion to the ABYC Junior Sailing program, as further described.

The ABYC has been the home for a number of prominent sailing events since the early 1960s, and continues to host a variety of sailing activities that bring worldwide recognition to Long Beach, such as the Olympic Classes Regatta, International Olympic Trials, Junior Invitational and Long Beach Race Week. It is important to note that the focus of the ABYC is competitive sailing, and unlike other yacht clubs located in the

Long Beach Marina, the ABYC's primary source of income is derived from membership and events.

In addition, the ABYC has a history of community involvement that includes philanthropic activities, such as the founding of the Yacht Clubs of Long Beach Charity Regatta benefiting the Children's Clinic. Over the past two years, the regatta raised more than \$100,000 to help provide health care services to children in need and their families. In addition, the ABYC currently operates a Junior Sailing Program designed to provide year-round instruction, coaching, and racing opportunities to children and young adults, aged six to eighteen. In 2007, the ABYC Junior Sailing Program received the prestigious Garrett Horder Award for Outstanding Youth Sailing Program from the Pacific Coast Yachting Association.

At the request of the City, Lidgard and Associates, Inc., produced an appraisal of the ABYC leasehold in February 2008. Comparing this facility with six yacht clubs from Marina del Rey to Chula Vista, the appraiser concluded that the ground rent applicable to the ABYC leasehold as of January 25, 2008 is \$1.00 per square foot of land, or approximately \$102,300 per year (a total of \$6,874,253 throughout the extended lease term). The requested lease amendment proposes a starting annual lease rate of \$15,000, which will generate \$980,747 throughout the extended term of the Lease. The \$5,893,506 balance shall be provided through a combination of capital improvements as well as community-oriented services provided at no charge to the public by the ABYC.

The clubhouse continues to be maintained in a first class manner, and various capital improvements are desired to enhance the building and facilities, and to meet certain code requirements. Initial improvements set to begin in 2010 include the construction of an ADA-elevator, electrical service upgrades, and ensuring all restrooms are ADA-compliant. Additional planned future improvements include sewer repair, replacement of the existing boat hoist, and/or other capital improvements of equal value acceptable to the City. A total of \$940,000 in capital improvements will be made by the ABYC throughout the extended term, of which, \$490,000 shall be invested in the first three years.

In addition, the ABYC shall host three "Orientation to Sailing" classes annually (Spring, Summer, and Fall), and will provide this class, free of charge, to a minimum of 50 total participants per year selected and referred by the Parks, Recreation, and Marine Department. In addition, the ABYC shall offer four full scholarships each season (12 total per year), to participants who have completed the sailing class. In summary, at least 1,900 youth will participate in the sailing classes and approximately 456 in the scholarship program, throughout the extended term. All classes and instruction are at no cost to the participants and the City. The estimated value of the sailing classes and scholarships throughout the extended term of the Lease is \$3,413,981, assuming the programs and scholarships increase in cost by three percent (3%) annually. Should the ABYC not provide the required instruction for any reason other than insufficient referrals

by the Department of Parks, Recreation, and Marine, the equivalent amount of rent shall be due to the City for that year.

After considerable negotiation between the City and representatives from the ABYC, and review by the City's financial consultant, Keyser Marston and Associates, staff proposes an Amendment to Lease No. 7681 containing the following major terms and provisions:

- Lessor: City of Long Beach.
- Lessee: Alamitos Bay Yacht Club, a non-profit, public benefit corporation.
- Premises: Approximately 102,279 square feet of City-owned land and improvements at 7201 East Ocean Boulevard.
- Length of Term: The term of the Lease shall be extended for an additional 25 years through October 31, 2047.
- Rent: Annual rent shall increase to \$15,000 per year and increase by compound CPI every five years.
- Capital Improvements: The Lessee shall make a total capital investment of \$940,000 to the clubhouse and related improvements, of which, \$490,000 will be invested in the first three years.
- Sailing Instruction: The Lessee shall provide three "Orientation to Sailing" classes annually to a minimum of 50 total youth per year selected and referred by the Department of Parks, Recreation, and Marine. In addition, the Lessee shall offer the full scholarship program to a minimum of twelve participants per year who complete the aforementioned class. The value of these services is estimated to be \$3,413,981 throughout the extended term of the Lease

All remaining terms and provisions of Lease No. 9406 shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on September 17, 2009 and Budget and Performance Management Bureau Manager David Wodynski on September 21, 2009.

TIMING CONSIDERATIONS

City Council action is requested on October 6, 2009, in order to commence the capital improvement program.

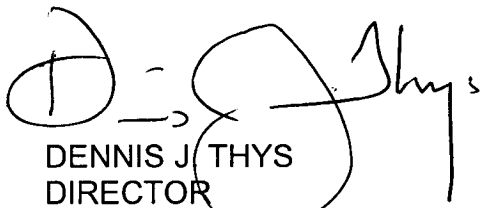
FISCAL IMPACT

Annual rental income of \$15,000 shall accrue to the Tidelands Fund (TF) in the Department of Community Development (CD) and shall continue to increase according to the Consumer Price Index every five years, for a total estimated lease revenue of \$980,747 over the extended term of the lease. Total estimated revenue from a market-based lease would generate \$6,874,255. The difference between the two will be provided through a total capital investment of \$940,000 (\$490,000 within the first three years) made to the clubhouse and related facilities as well as \$3,413,981 of in-lieu sailing instruction provided to the public in collaboration with the Department of Parks, Recreation, and Marine.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT



PHIL T. HESTER
DIRECTOR
DEPARTMENT OF PARKS,
RECREATION, AND MARINE

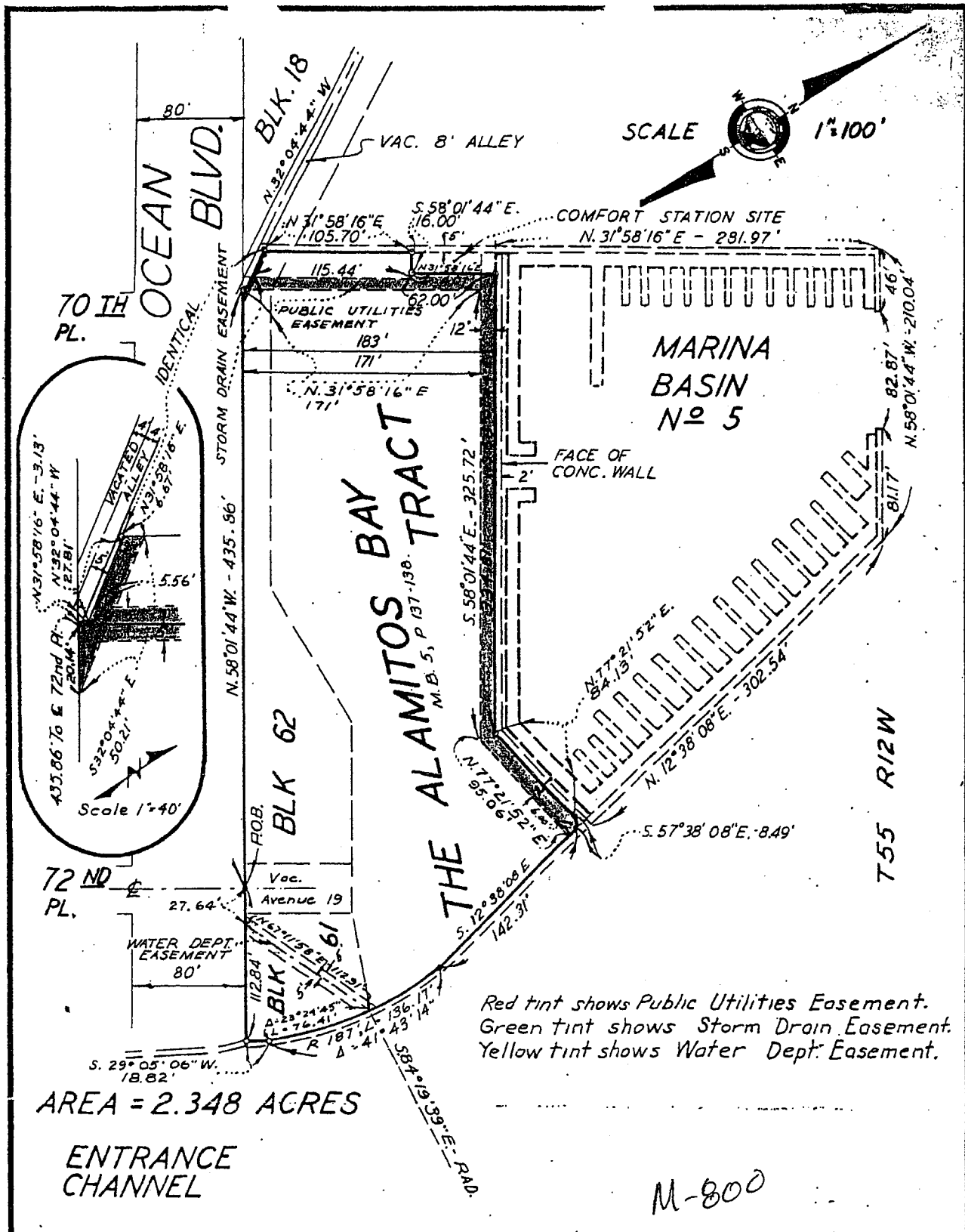
DJT:PTH:VSG:MTB
10-06-09 Alamitos Bay Yacht Club v3.mb

Attachment: Exhibit "A" – Lease Map

APPROVED:



PATRICK H. WEST
CITY MANAGER



AREA = 2.348 ACRES

ENTRANCE CHANNEL

Red tint shows Public Utilities Easement.
Green tint shows Storm Drain Easement.
Yellow tint shows Water Dept. Easement.

M-800

DESIGNED BY
DR BY W. R. M. C.K'D BY - E. C.
SUBMITTED BY
Les. Sondreault
SECTION HEAD
RECOMMENDED BY
J. H. Ward
DEPUTY CITY ENGINEER R.C.E. 9675.
RECOMMENDED BY
ASSISTANT CITY ENGINEER R. C. F. 6568.

CITY OF LONG BEACH, CALIFORNIA
DEPARTMENT OF ENGINEERING
ALAMITOS BAY YACHT CLUB LEASE
AREA LONG BEACH MARINA BASIN
No 5
John H. Ward
CITY ENGINEER R.C.E. 3111.
APPROVED 10-2-63 19