CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD · LONG BEACH, CALIFORNIA 90802

June 15, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for the Fourth Amendment to Lease No. 20755 with Baja La Palapa Restaurant Group, Inc., for City-owned property located at 4020 Olympic Plaza, for an additional five-year term, with one, five-year option to renew, at a minimum monthly base rent of $6,400. (District 3)

DISCUSSION

In May 1999, Baja La Palapa Restaurant Group, Inc. (Baja La Palapa), purchased the former Ragazzi Restaurant located at 4020 Olympic Plaza (Premises) and began operating La Palapa Del Mar Restaurant. The purchase transaction included the assignment of the existing ten-year lease, as amended, with two five-year options to extend the term. On July 19, 2005, the City Council authorized the execution of the Third Amendment to Lease No. 20755 (Lease), which provided for an expansion of the restaurant to include the outside patio area and extended the term of the Lease through July 23, 2010.

Since assuming the Premises, Baja La Palapa has made substantial capital investments into the building and has developed a thriving restaurant operation, which is also known as a popular wedding and reception venue. Photos of the improvements are attached. The current term of the Lease terminates July 23, 2010 and there are no further extension options.

After concluding negotiations with Baja La Palapa, staff proposes a Fourth Amendment to Lease No. 20755 under the following major terms and provisions:

- Landlord: City of Long Beach.

- Tenant: Baja La Palapa Restaurant Group, Inc.

- Term: The term of the Lease shall be extended for an additional five-year period, commencing on July 24, 2010 and terminating on July 23, 2015.

- Option to Renew: Tenant shall have one option to renew the Lease for an additional five-year period.

- Termination Option: In the event that renovation plans for the Belmont Plaza Pool Building require the closure of the restaurant, Landlord shall have the right to terminate the Lease upon one year written notification to Tenant.

- Rent: The minimum base rent shall increase from $2,980 per month to $6,400 per month. Tenant shall continue to pay percentage rent equal to eight percent of gross receipts from alcohol and banquet sales, and six percent of gross receipts from food and beverage sales.

- Capital Improvement Fund: A Capital Improvement Fund (CIP) shall be established by Landlord and funded by Tenant for the construction of a public restroom on the beach or other projects approved by the City Manager. Tenant's annual contribution to the CIP shall be $2,500 when gross receipts reach $1,250,000 and shall increase to a maximum contribution of $10,000 when gross receipts reach $2,000,000.

All remaining terms and provisions of Lease No. 20755 shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on May 24, 2010 and Budget Officer Victoria Bell on May 27, 2010.

TIMING CONSIDERATIONS

City Council action is requested on June 15, 2010, in order to finalize and execute the Fourth Amendment to Lease prior to the termination date of July 23, 2010.
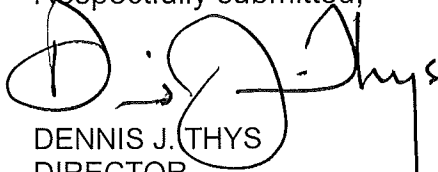
FISCAL IMPACT

Minimum annual base rent in the amount of $76,800 plus required percentage rental payments shall accrue to the Tidelands Fund (TF 401) in the Department of Community Development (CD). There is no impact to the General Fund (GP).

The requested action shall provide for the continuation of the restaurant operation that currently employs 35 people.

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
6-15-10 BLP.4th Amendment v4.doc

Attachment

APPROVED:

PATRICK H. WEST
CITY MANAGER

Baja La Palapa Improvements