



CITY OF LONG BEACH **R-22**

OFFICE OF THE CITY MANAGER

333 West Ocean Boulevard • Long Beach, CA 90802 • (562) 570-6711 FAX (562) 570-7650

July 24, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to amend the terms of the extended 10-Year Key Tenant Loan with Marina Pacifica, LLC, to allow for the elimination of the interest rate. (District 3)

DISCUSSION

On January 24, 2012, the City Council authorized a 10-year extension to amortize a Key Tenant loan (Loan) of \$750,000 made to Marina Pacifica, LLC (Attachment A). The Original 15-year Loan, with an interest rate of 10 percent was made in 1997. The Loan extension was contingent upon Marina Pacifica maintaining suitable retail tenants, which generate substantial retail sales tax to the City. Marina Pacifica has since indicated that it is currently spending over \$2 million to bring in new tenants that will result in substantial additional sales tax revenue for the City, and in the planning stage to upgrade the southeast end (Pier One side) of the center (Attachment B). As such, Marina Pacifica has requested that the interest rate on the 10-year loan extension be eliminated.

The Key Tenant Loan program is an economic development tool designed to encourage retail development, create jobs, improve sales tax productivity and stimulate private investment in the retail sector of the City's economy. If approved, except for the elimination of the interest rate, all other terms and conditions of the loan extension will remain the same. Those terms and conditions provide that, in lieu of making monthly loan payments, the borrower will continue to operate the business at a specified location in Long Beach for the term of the loan. If the premises are vacated before the term expires, the borrower owes the entire unamortized Loan balance. If the borrower operates the business for the term of the loan, the loan shall be forgiven. The Loan was funded through Community Development Block Grant (CDBG) Funds. Marina Pacifica is fully compliant with the terms of the loan.

This item was reviewed by Deputy City Attorney Richard F. Anthony on July 16, 2012 and by Budget Management Officer Victoria Bell on July 13, 2012.

HONORABLE MAYOR AND CITY COUNCIL

July 24, 2012

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TIMING CONSIDERATIONS

City Council action is requested on July 24, 2012 to amend the Loan terms with Marina Pacifica effective January 1, 2012.

FISCAL IMPACT

In 2010, Marina Pacifica generated \$568,294 in sales tax revenue to the City and, in 2011, \$569,536 in sales tax revenue was generated by the center. It is anticipated that, with the amended loan extension, the City will continue to receive substantial sales tax revenue. If the premises are vacated before the term of the loan expires, the borrower will be required to pay the entire unamortized loan balance to the City. The Marina Pacific Center currently provides 545 jobs, and is anticipated to increase to 639 once the new tenants are in place.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


REGINALD HARRISON
DEPUTY CITY MANAGER

RH:mb
Attachments

APPROVED:



PATRICK H. WEST
CITY MANAGER



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

~~R-8~~

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-6711 • FAX (562) 570-6583

PATRICK H. WEST
CITY MANAGER

January 24, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California**RECOMMENDATION:**

Authorize the City Manager to amend and extend the Key Tenant Loan with Marina Pacifica, LLC, allowing for a 10-year extension without additional loan funding. (District 3)

DISCUSSION

Approval is recommended to amend and extend an existing Key Tenant Loan (Loan) with Marina Pacifica, LLC (Marina Pacifica). The existing 15-year Loan, which went into effect in the first calendar quarter of 1997, expired on January 1, 2012. Marina Pacifica is requesting that the City grant an extension of 10 years to amortize the original loan amount of \$750,000. No additional loan funds will be dispersed with this extension. The Loan extension is contingent upon Marina Pacifica maintaining a suitable retail tenant, generating retail sales tax, as a tenant at 6274 East Pacific Coast Highway. Marina Pacifica's failure to maintain such a tenant shall constitute a Loan default and trigger repayment of the Loan.

On April 8, 1997, the City Council authorized a 15-year Sales Tax Incentive Agreement and a Key Tenant Loan to provide financial assistance for capital improvements to rebuild Marina Pacifica. The Loan was funded through Community Development Block Grant (CDBG) funds. Marina Pacifica is fully compliant with the terms of the loan.

Marina Pacifica is requesting the City's assistance, through an extension of the terms of the loan, to partially offset the economic impacts of this protracted recessionary period and increased cost to maintain an attractive and viable retail center. The City's extension of the terms of the Loan will assist in enhancing the overall business at Marina Pacifica, and maintaining sales tax revenue.

The City has made Key Tenant Loans to retailers to promote additional retail opportunities and to generate additional sales tax revenue. A Key Tenant Loan

HONORABLE MAYOR AND CITY COUNCIL

January 24, 2012

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provides that, in lieu of making monthly principal and interest payments, the borrower will continue to operate the business at a specified location in Long Beach for the term of the loan. If the premises are vacated before the term expires, the borrower owes the amortized balance. If the borrower operates the business for the term of the loan, the principal and interest shall be forgiven. The City recognizes that having the premises occupied and maintaining a retailer in operation provides substantial public benefit, including job retention or creation, and prevents the loss of and/or creates more sales tax revenue for the General Fund.

As a strategic tool, the Loan has been used successfully at Marina Pacific. The Loan was used to assist in rebuilding a distressed shopping center, protecting it during a period of economic challenge for its primary retailers, and to attract theaters, retailers and restaurants. Major tenants include AMC Theaters, Ralphs, Best Buy, Sports Authority, Pier 1 Imports, Loehmann's, Acapulco and Tantalum. For calendar 2010, sales tax revenue generated by the Center was \$568,294.

This item was reviewed by Deputy City Attorney Richard F. Anthony and Budget Management Officer Victoria Bell on January 12, 2012.

TIMING CONSIDERATIONS

City Council action is requested on January 24, 2012 to expedite the extension of the Loan terms to Marina Pacifica.

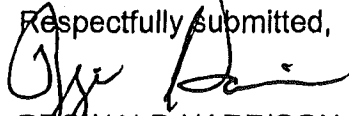
FISCAL IMPACT

The proposed term extension will have no fiscal impact to the City and will result in a positive impact on local jobs.

SUGGESTED ACTION:

Approve recommendation.

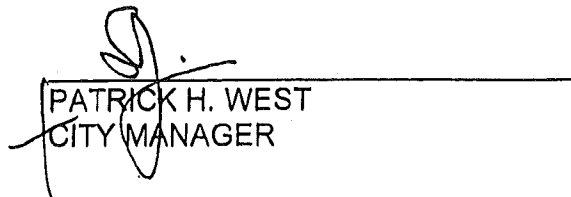
Respectfully submitted,



REGINALD HARRISON
DEPUTY CITY MANAGER

RH:mb

APPROVED:



PATRICK H. WEST
CITY MANAGER

Marina Pacifica LLC
6324 East Pacific Coast Highway, Suite D
Long Beach CA 90803

June 19, 2012

Mr. Reginald Harrison
Deputy City Manager
Long Beach, CA

Dear Mr. Harrison,

Marina Pacifica Shopping Center

We hereby request an extension of the promissory note issued by us to the City and due for settlement in January 2012. We request that the note be extended for a further period of 10 years subject to the same terms and conditions as have been applicable since inception except that no further interest shall accrue.

We are currently spending over \$2,000,000 to bring in new tenants and this will result in substantial additional sales tax revenue for the City. We are also drawing up plans to upgrade the Piers One side of the center which should produce still further tax revenue increases.

If we had not asked for an extension of the note, the note would have been due for payment in January 2012 and, in terms of the agreement between us and the City, would have been settled in full by an offsetting grant to us from the City.

The vitally important advantage for the City of the arrangement is to ensure that the site continues to be used almost exclusively for retail operations with the consequent sales tax revenue for the City.

In summary, an extension of the agreement will be a significant benefit to the City.

Yours truly,

Avi Lerner, manager

Marina Pacifica LLC
6324 East Pacific Coast Highway, Suite D
Long Beach CA 90803

June 19, 2012

Mr. Reginald Harrison
Deputy City Manager
Long Beach, CA

Dear Mr. Harrison,

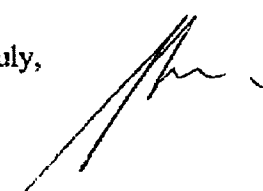
Marina Pacifica Shopping Center

We hereby request an extension of the promissory note issued by us to the City and due for settlement in January 2012. We request that the note be extended for a further period of 10 years subject to the same terms and conditions as have been applicable since inception except that no further interest shall accrue.

We are currently spending over \$2,000,000 to bring in new tenants and the partnership's financials cannot bear the burden of anything more than a nominal interest rate. Bear in mind that had we not asked for an extension of the note, the note would have been due for payment in January 2012 and, in terms of the agreement between us and the City, would have been settled in full by an offsetting grant to us from the City.

The vitally important advantage for the City of the arrangement is to ensure that the site is used almost exclusively for retail operations - see, for example, sections 5.2.4 and 5.2.6 of the Second Amendment to the agreement between the City and ourselves. An extension of the agreement will be a significant benefit to the City.

Yours truly,



Avi Lerner, manager