



Legislation Text

File #: 19-0465, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for the Fifth Amendment to Lease No. 23509 with Bancap Marina Center, Inc., a California corporation (Lessee), which provides for a three-year extension for the continued lease of City-owned property at 241-255 Marina Drive. (District 3)

On February 1, 1994, the City Council authorized the execution of Master Lease No. 23509 (Master Lease) between the City of Long Beach (Lessor) and Bancap Marina Center, Inc. (Lessee), for the remodeling, renovation, and management of City-owned property and improvements at the Alamitos Bay Marina Center (ABMC) located at 241-255 Marina Drive (Attachment A-Site Map). Following the completion of the renovations, the existing tenant leases at ABMC were assigned to the Lessee. 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 expires on June 30, 2019.

Under the Master Lease, the City receives base rent of \$37,803 per month and a percentage rent of 70 percent of Net Operating Income (NOI) generated from ABMC's cash flow (NOI less base rent and financing amortization). As part of the Lease, the Lessee receives a monthly property management fee equal to 6 percent of subtenant rents and 30 percent of NOI.

Staff anticipates adjustments to the local real estate market due to current and upcoming developments within the area, including the 2nd & PCH project that consists of over 200,000 square feet of contemporary retail and dining experiences. As the subtenants have been operating successfully at ABMC under the current Lease, and a Lease extension would allow the Lessee to extend the subtenant leases, staff proposes a limited three-year Lease extension. The shorter Lease term extension will allow the City and Lessee an opportunity to reassess the impact of these potentially catalytic developments on ABMC and evaluate future development opportunities for the site.

To allow for the continued operation of ABMC and the opportunity for the City to reevaluate the lease in three years, a proposed Fifth Amendment to Master Lease No. 23509 has been negotiated containing the following major terms and provisions:

- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Bancap Marina Center, Inc., a California corporation.

- Leased Premises: Approximately 1.57 acres of land area and 27,344 square feet of building area at 241-255 Marina Drive, commonly known as Alamitos Bay Marina Center.
- Term: Extend termination date from June 30, 2019 to June 30, 2022.
- Rent: The base rent will be \$453,636 per year (\$37,803/month), subject to adjustment and otherwise payable as provided in the Lease.
- Other terms: Lessee will renovate the exterior of the buildings within the first six months of lease execution, including painting, new awnings, and roof repair. The Lessee anticipates the cost will be approximately \$48,000. The design is subject to City approval.

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

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 23, 2019 and by Budget Management Officer Rhutu Amin Gharib on April 26, 2019.

City Council action is requested on May 14, 2019, to finalize and execute the Fifth Amendment in a timely manner.

The Master Lease provides for approximately \$453,636 annually in base revenue and a percentage rent of 70 percent of NOI generated from ABMC's cash flow. Base rent adjusts annually based on the percentage increase in NOI from the prior year. In no event will the base rent be less than that of the prior year. Rental revenue from the Master Lease will continue to accrue in the Tidelands Area Fund Group in the Economic Development Department (25). This recommendation has minimal staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. 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