



To enrich lives through effective and caring service



Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

February 7, 2008

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director *Stan Wisniewski*

SUBJECT: ITEM 4b – APPROVAL OF OPTION FOR AMENDED AND RESTATED LEASE TO FACILITATE REDEVELOPMENT – PARCEL 21 (HOLIDAY HARBOR) - MARINA DEL REY

Item 4b on your agenda pertains to an option to extend the Parcel 21 (Holiday Harbor) lease, in order to facilitate development of a new marina and a parking structure for 447 cars that also contains 29,000 square feet of commercial space. For your convenience, we have attached a copy of the Board letter that explains the details of the proposed transaction, including the need for the lessee to pursue a Local Coastal Program (LCP) amendment to relocate 94 public parking spaces from Parcel OT to Parcel 21, as well as a development permit modification to transfer the yacht club and marine commercial uses from Parcel 20 to Parcel 21. The exhibits to the Board letter include a copy of the proposed Option to Amend Lease Agreement and a copy of the proposed Amended and Restated Lease Agreement.

Additionally, as requested by your Commission, the lessee has submitted the attached set of plans showing the existing dock layout and the proposed new docks, as well as a drawing, Sheet 4, superimposing the proposed docks over the existing layout. Last month, our submission indicated that the new anchorage would have 87 slips, a reduction of 95 from the current 182 slips. However, the lessee has submitted a new dock plan reflecting that the new anchorage will have 103 slips, for a reduction of 79 slips. [Note that the lessee's calculation, as illustrated on the proposed plans, indicates the existing anchorage to consist of 148 slips, not 182 as we have presented, based on lessee's belief that each double slip should be counted as one slip rather than two slips.] In order to design this new configuration, the lessee has eliminated all slips considered to be large slips, including the existing ten 40-foot slips, opting instead to dedicate the entire marina to slips of 35 feet or less. The reduction of 79 slips is due to several factors, including: 1) having to meet new ADA dock standards; 2) the need to include a pump-out station on site; 3) correction of an incursion of the current

dock into the County's waters outside of the leased area; 4) elimination of outdated double wide slips; and 5) an increase in the average slip size of this marina.

While we recognize that the California Coastal Commission (CCC) at its January meeting included a recommendation as part of its periodic review of the Marina LCP to oppose any reduction in the number of slips sized under 34 feet, we are recommending approval of the option and lease extension agreement for Parcel 21 in order to conclude the proprietary phase of the development and allow the project to proceed to the regulatory phase, at which time the regulatory agencies including the CCC will evaluate the project, including the dock plan, on its merits.

Your Commission's endorsement of the Chief Executive Officer's recommendation to the Board of Supervisors as contained in the attached letter is requested.

SW:KS:SHK:PW:ks
Attachments

IMPROVEMENTS FOR HOLIDAY MARINA PARCEL 21 MARINA DEL REY, CALIFORNIA

SHEET INDEX

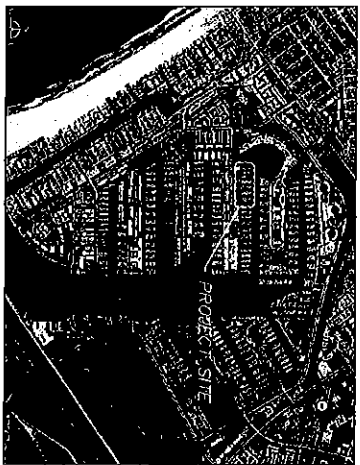
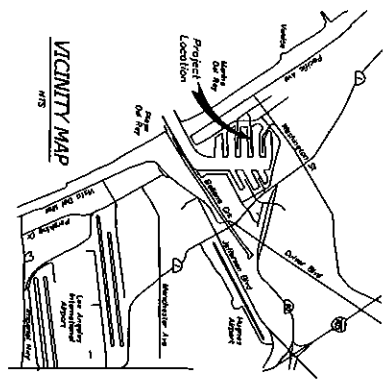
T-1	TITLE SHEET
L-1	EXISTING LAYOUT
L-2	PROPOSED LAYOUT
L-3	EXISTING VS PROPOSED LAYOUT

PROJECT DESCRIPTION:
REHABILITATION OF EXISTING MARINA.

PROJECT ADDRESS:
HOLIDAY HARBOR MARINA
14025 PALMAY WAY
MARINA DEL REY, CA 90292

CLIENT:
GOLDRICH & KEST
5150 OVERLAND AVE
CULVER CITY, CA 90230
TEL.: (310) 280 - 5057
FAX: (310) 280 - 5014
CONTACT: FRANK HICKMAN

ENGINEER:
BLUEWATER DESIGN GROUP
2500 VIA CABRILLO MARINA, SUITE 200
SAN PEDRO, CA 90731
TEL.: (310) 548 - 3132
FAX: (310) 548 - 824
CONTACT: TIM BAZLEY



**IMPROVEMENTS FOR HOLIDAY MARINA
PARCEL 21-MARINA DEL REY, CA**

STATUS	X
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PROJECT	
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DATE	
BY	
CHECKED	
SCALE	
PROJECT	

BLUEWATER
DESIGN GROUP
Professional and Engineering Services
Providing for Marine and Waterfront Assets

2500 Via Cabrillo Marina, Suite 200
San Pedro, CA 90731
Tel: 310 548 3132
Fax: 310 548 824

TITLE SHEET

DATE: 02-06-08
SCALE: 1/15
SHEET: 1 of 4

E 3,600

E 3,800

E 4,000

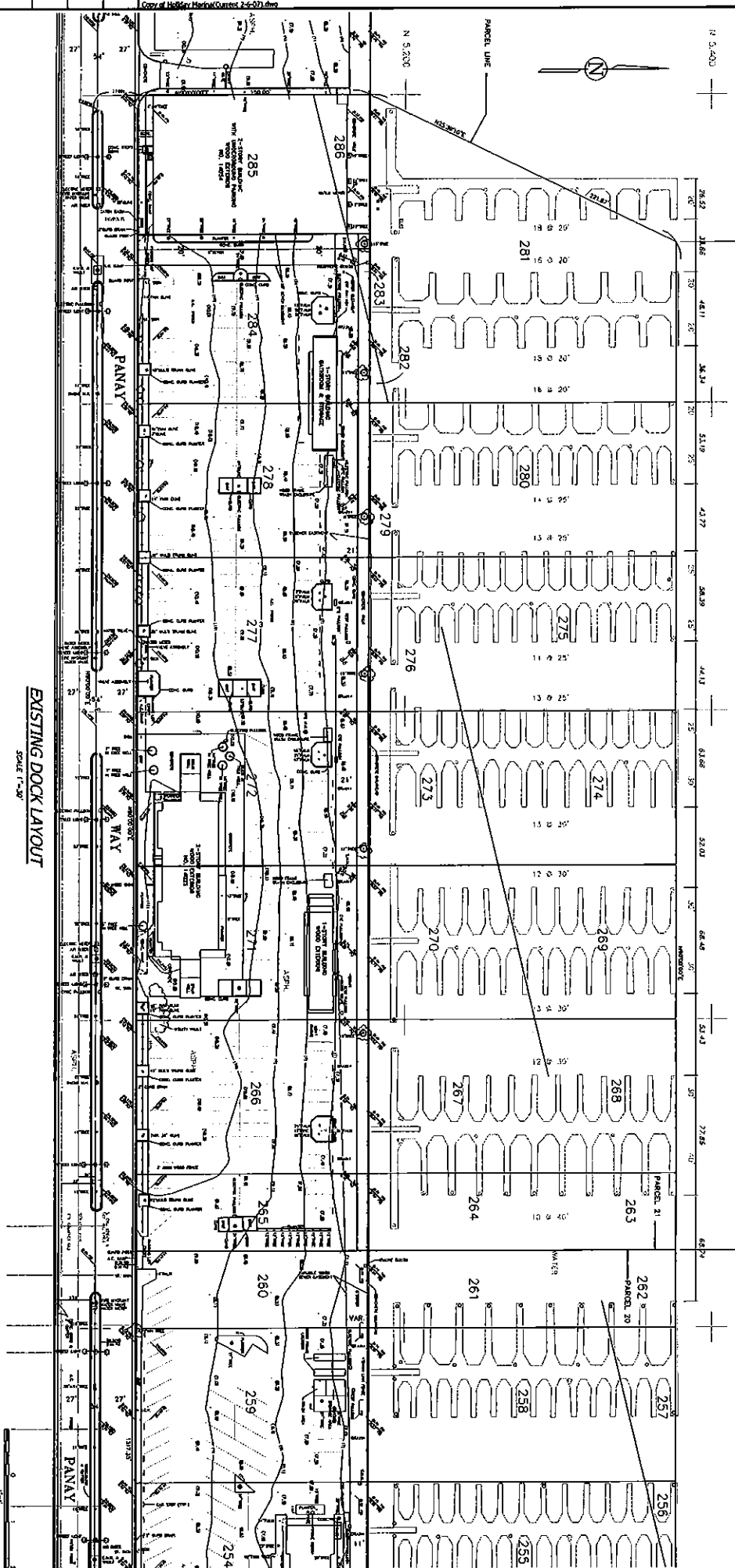
E 4,200

E 4,400

EXISTING DOCK LAYOUT SLIP COUNT

Slip Length	Quantity	Linear Feet	%
20'	34	680	23.0
25'	54	1,350	36.5
30'	50	1,500	33.5
35'	0	0	0
40'	10	400	8.7
45'	0	0	0
50'	0	0	0
Total	148	3,530	100.0
Average		24.87	

(*) - INCLUDES JOBSITE BERM SLIPS
EXISTING DOCK AREA = 30883.78 SQ.FT.
654



EXISTING DOCK LAYOUT
SCALE 1" = 30'

IMPROVEMENTS FOR HOLIDAY MARINA
PARCEL 21-MARINA DEL REY, CA

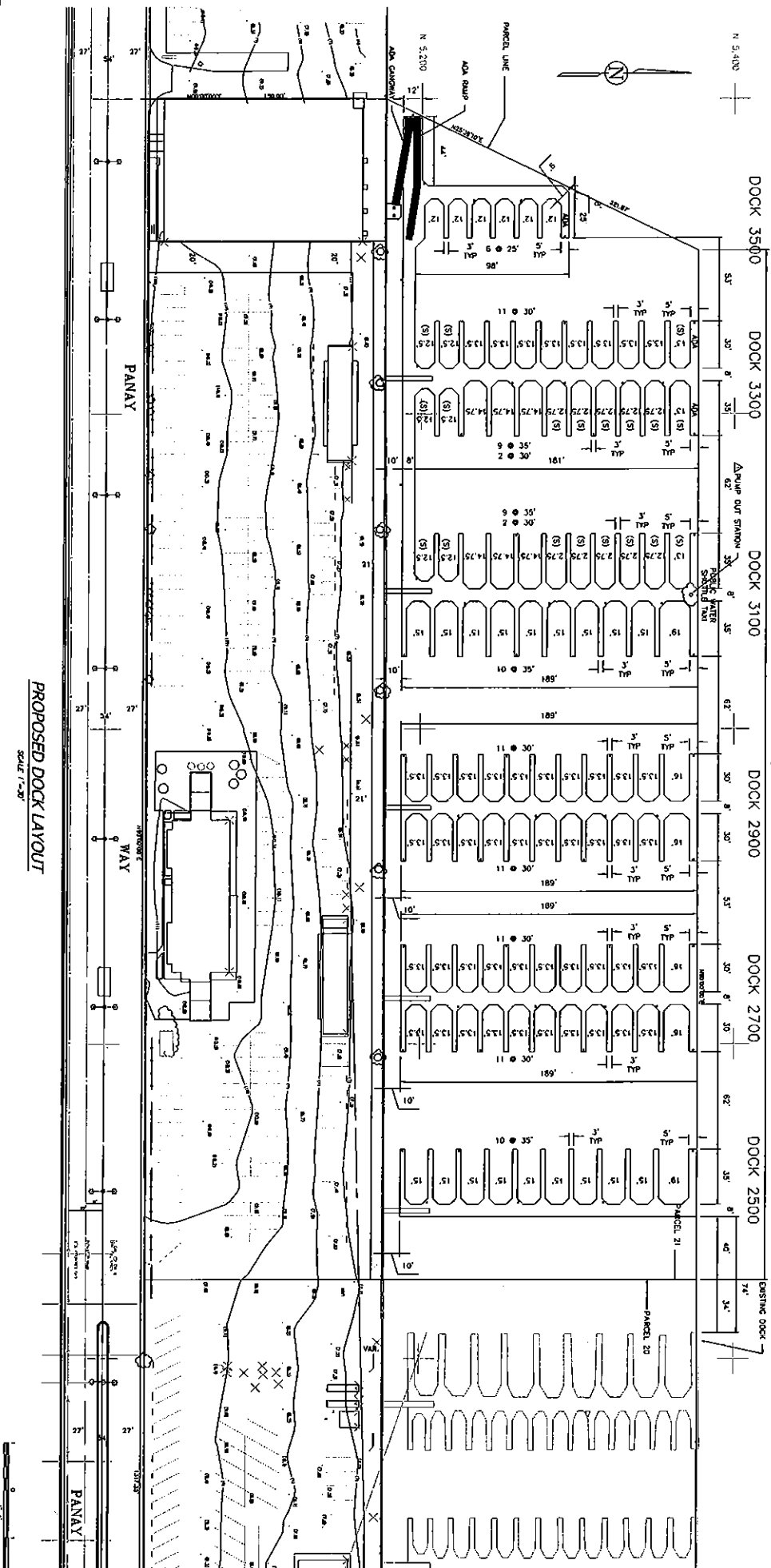
STATUS	X
PROJECT	IMPROVEMENTS FOR HOLIDAY MARINA PARCEL 21-MARINA DEL REY, CA
DESIGNER	BILL W. ATTD DESIGN GROUP
PREPARED BY	2580 Via Chablis Marina, Suite 200 San Pedro, CA 90721 TEL: 310 548 3124 FAX: 310 548 3324
DATE	02-06-08
SCALE	1" = 30'
PROJECT NO.	2145-A
DATE	L-1
SCALE	2 1/4" = 1'

PROPOSED DOCK LAYOUT SLIP COUNT

Slip Length	Quantity	Linear Feet
35'	8	280
30'	28	840
25'	32	800
20'	101	2020
Total	179	4140
Average	31.5	1000.00

PROPOSED DOCK LAYOUT SLIP COUNT
 PROPOSED 2,997.00 + 4,144.00 + 4,144.00 + 12,743.74
 DOCK AREA = 23,950.74 SQ.FT.

PLS NOTE
 TOTAL NO. OF PILES = 79



PROPOSED DOCK LAYOUT
 SCALE: 1"=20'

IMPROVEMENTS FOR HOLIDAY MARINA
 PARCEL 21-MARINA DEL REY, CA

STATUS	X
PROJECT	IMPROVEMENTS FOR HOLIDAY MARINA PARCEL 21-MARINA DEL REY, CA
DATE	02-06-08
AS NOTED	2145-A
REV	L-2
SHEET	3 of 4

2500 Via Chabre Marina, Suite 200
 San Pedro, CA 90721
 Tel: 310 548 3132
 Fax: 310 548 3324

FILE W/ ATTORNEY
 PREPARED FOR
 Planning and Engineering Services
 for Marina and waterfront facilities

STATUS	X
PROJECT	IMPROVEMENTS FOR HOLIDAY MARINA PARCEL 21-MARINA DEL REY, CA
DATE	02-06-08
BY	2145-A
CHECKED	L-3
SCALE	1" = 40'

EXISTING VS PROPOSED DOCK LAYOUT

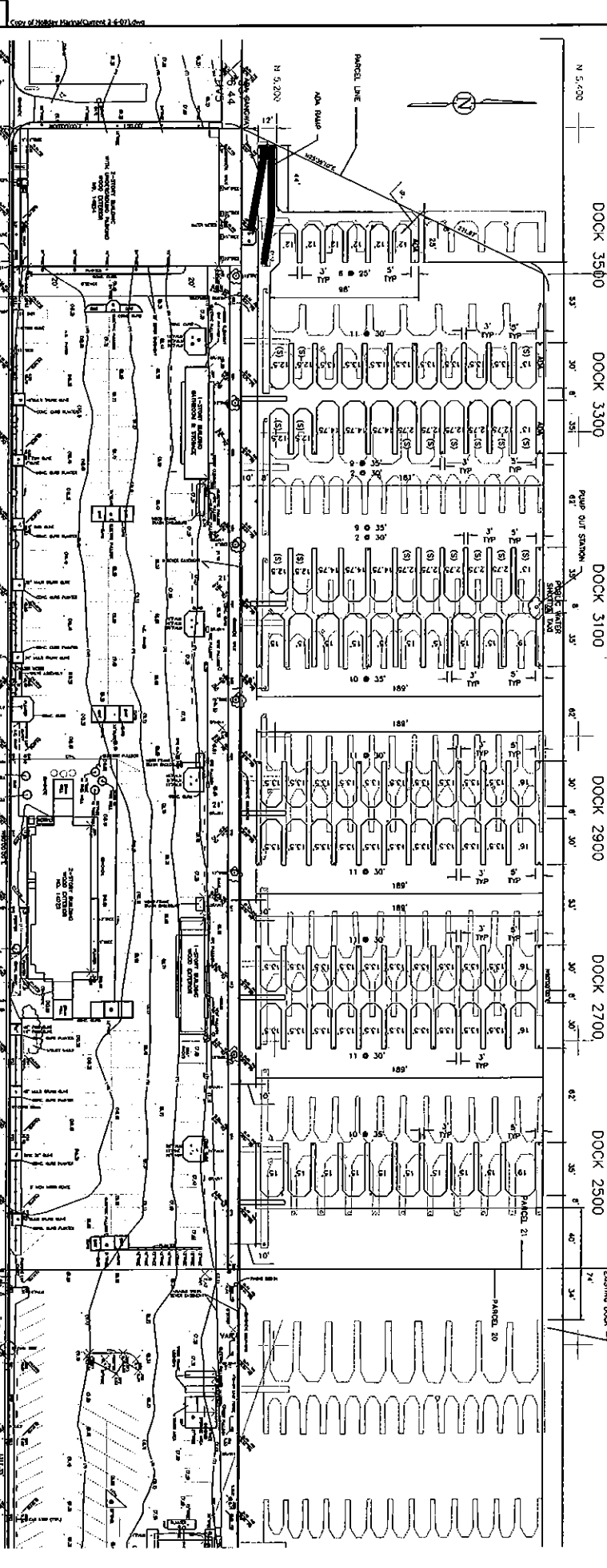
SCALE: 1"=40'

BLEEWATERS
Planning and Engineering Services
For Marina and Waterfront Developments

2500 Via Charming Marina, Suite 200
San Pedro, CA 90731
Tel: 310 548 3132
Fax: 310 548 5524

PROPOSED VS EXISTING DOCK LAYOUT

DATE: 02-06-08
BY: 2145-A
CHECKED: L-3
SCALE: 1" = 40'



EXISTING DOCK LAYOUT SLIP COUNT

Slip Length	Quantity	Linear Feet	%
20'	34	680	23.0
30'	54	1,620	53.5
40'	30	1,200	39.5
50'	0	0	0.0
60'	0	0	0.0
TOTAL	118	2,900	100.0

NOTE: INDICATES DOUBLE BEAM SLIPS
EXISTING DOCK AREA = 2,900 L.F. SLIP

PROPOSED DOCK LAYOUT SLIP COUNT

Slip Length	Quantity	Linear Feet	%
20'	6	120	5.83
30'	59	1,770	57.28
40'	30	1,200	38.89
50'	0	0	0.00
60'	0	0	0.00
TOTAL	95	3,090	100.00

NOTE: INDICATES SOME SLIPS ARE SAIL BOAT SLIPS
PROPOSED = 2,897.00 + 414.00 = 3,311.00 L.F. SLIP
DOCK AREA = 213,807.4 SQ.F.

RFI NOTE:
TOTAL NO. OF PILES = 79

March 4, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**DEPARTMENT OF BEACHES AND HARBORS: APPROVAL OF OPTION FOR
AMENDED AND RESTATED LEASE TO FACILITATE REDEVELOPMENT –
PARCEL 21 (HOLIDAY HARBOR) - MARINA DEL REY
(4th DISTRICT)
(4 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed Option to Amend Lease Agreement, attached as Exhibit A, is categorically exempt under the California Environmental Quality Act pursuant to classes 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines.
2. Approve and authorize the Chair of the Board to sign the attached Option to Amend Lease Agreement granting to the current lessee, upon fulfillment of stated conditions, the right to extend the terms of its existing ground lease on Parcel 21 by 39 years.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Parcel 21 lessee, Goldrich & Kest Industries ("Lessee"), has an affiliate that is the Parcel OT lessee. As part of the Parcel OT development plan, a portion of the required replacement public parking is to be placed in a parking garage to be constructed on Parcel 21. Additionally, the Department of Beaches and Harbors ("Department") desires to reacquire a portion of Parcel 21 to expand a County-owned public parking lot (Parcel GR) serving the Marina Beach. Accordingly, an agreement was negotiated with Lessee for the redevelopment of the Parcel 21 property.

The proposed Option to Amend Lease Agreement ("Option") will allow Lessee to exercise its option and receive the benefits of the Amended and Restated Lease ("Restated Lease") attached as Exhibit B, upon demonstration that it has satisfied all of the conditions for exercise contained in the Option and has received all planning, zoning, environmental and other entitlement approvals required to be obtained from governmental authorities for the construction of the redevelopment project.

Whether or not ultimately exercised, the Parcel 21 Option puts into effect modern lease provisions that have been negotiated in new and extended leases previously presented for your Board's consideration, including: a) reimbursement of County administrative/negotiating costs; b) payment of a non-refundable \$100,000 option fee (which shall be credited against the extension fee if the Option is exercised); c) establishment of a sinking fund to remove leasehold improvements at lease termination; d) modernized "baseball" type arbitration; e) lease assignment and ownership disclosure requirements; f) a 6% late fee plus interest for any late payments; g) security deposit in the amount of 3 months' minimum rent; h) new insurance requirements with insurance levels renegotiated each 5th lease anniversary date; i) County approval rights over construction plans and specifications; j) CPA-certified annual gross revenue reports; k) required maintenance in conformance with Marina standards; and l) liquidated damages of \$100 per day (adjusted for inflation) per cited maintenance deficiency for each deficiency that remains uncorrected after a specified cure period.

If the Option is exercised, in addition to the terms identified just above, the Restated Lease for Parcel 21 also provides for a 39-year lease extension; payment of a \$100,000 lease extension fee (already paid as a non-refundable option fee); demolition of the existing landside improvements; construction of a new commercial building containing not less than 29,000 square feet and an attached parking structure of 447 parking spaces to accommodate boater parking for not only Parcel 21, but also Parcel 20 (the leasehold of another Lessee affiliate), parking for the commercial uses in the new commercial building, and 94 replacement public parking spaces from Parcel OT; complete dock replacement of the existing 182 slips with 103 new slips [Note the lessee's calculation, as illustrated on the proposed plans, indicates the existing anchorage to consist of 148 slips, not 182 slips as we have presented, based on the lessee's belief that each double slip should be counted as one slip rather than two slips]; construction and maintenance of a new waterfront promenade; reconveyance to County at a specified date of the westerly 207 feet of the current leasehold to be used for additional public parking; establishment of a Capital Improvement Fund to be funded by amounts equal to 1.0% of gross revenues derived from the leasehold for years 4 and 5 following completion of the improvements, 1.25% of gross revenues derived from the leasehold for years 6 through 10 and 1.5% of gross revenues thereafter; establishment of a Renovation Fund in the amount of 1.0% of gross revenues annually that must be fully expended to physically reposition the project to then current market requirements between 2034 and 2036, with funding ceasing thereafter; a second complete replacement of the anchorage improvements between years 30 and 35 after the effective date of the Restated Lease; County participation in leasehold sale and/or refinance; County right to recapture the leasehold if the Lessee pursues its sale; and other miscellaneous improvements to the lease (e.g., enhanced audit and record-keeping standards).

Lessee must complete the parking structure as a condition to issuance of the certificate of occupancy for the proposed development of a seniors' congregate care facility on Parcel OT. Once the Lessee and the Parcel OT optionee have obtained all necessary

project entitlements and have fulfilled the other requirements entitling them to exercise the Options for both parcels, we will return to your Board for authority to execute the Restated Lease in substantially the form attached.

The Department has obtained an appraisal that concludes the return to the County from the lease extension for Parcel 21 is equivalent to, or greater than, fair market value.

Implementation of Strategic Plan Goals

In furtherance of County Goals #1 and #4, "Service Excellence" and "Fiscal Responsibility," the recommended action will allow the Department to implement that portion of its Strategic Plan that enhances strategic partnerships with existing and prospective lessees through proactive implementation of the Marina del Rey Asset Management Strategy toward enhancing public access to and enjoyment of the Marina through property redevelopment and modernized lease provisions.

The following chart details the proposed deal terms of the Restated Lease providing for the 39-year lease extension as they relate to your Board's existing lease extension policy:

REDEVELOPMENT Development of new improvements	<ul style="list-style-type: none">• Redevelopment Work: Lessee shall demolish the existing improvements on the premises and construct the following new improvements within five years of receipt of entitlements:<ul style="list-style-type: none">(i) New Commercial Building: A new commercial building containing not less than 29,000 square feet of rentable space and an attached parking structure to accommodate 447 cars. The new commercial building will provide replacement space for all existing landside uses on Parcel 21 and will provide replacement space for the yacht club and office uses presently on Parcel 20. The attached parking structure shall provide parking for the uses contained in the new commercial building, boater parking for Parcels 20 and 21, and 94 public parking spaces moved from Parcel OT. The square footage to be provided for each use and the parking to be provided for each use are summarized in the table below:																										
	<table border="1"><thead><tr><th>New Commercial Building</th><th>Sq. Ft. Provided</th><th>Parking Provided</th></tr></thead><tbody><tr><td>Yacht Club</td><td>5,000</td><td>106</td></tr><tr><td>Health Club</td><td>10,000</td><td>20</td></tr><tr><td>Retail</td><td>6,000</td><td>23</td></tr><tr><td>Office</td><td>8,000</td><td>21</td></tr><tr><td>Parcel 20 Boater Parking</td><td>--</td><td>112</td></tr><tr><td>Parcel 21 Boater Parking</td><td>--</td><td>71</td></tr><tr><td>Parcel OT Replacement Parking</td><td>--</td><td>94</td></tr><tr><td>Total</td><td>29,000</td><td>447</td></tr></tbody></table> <ul style="list-style-type: none">(ii) Dock Replacement: Complete replacement of existing docks containing 182 slips with 103 slips made of concrete or other material acceptable to the Department Director, with a second dock replacement between the 30th and 35th year from the effective date of the Restated Lease;(iii) Waterfront Promenade: Construction and maintenance of a waterfront promenade to run the length of the bulkhead.	New Commercial Building	Sq. Ft. Provided	Parking Provided	Yacht Club	5,000	106	Health Club	10,000	20	Retail	6,000	23	Office	8,000	21	Parcel 20 Boater Parking	--	112	Parcel 21 Boater Parking	--	71	Parcel OT Replacement Parking	--	94	Total	29,000
New Commercial Building	Sq. Ft. Provided	Parking Provided																									
Yacht Club	5,000	106																									
Health Club	10,000	20																									
Retail	6,000	23																									
Office	8,000	21																									
Parcel 20 Boater Parking	--	112																									
Parcel 21 Boater Parking	--	71																									
Parcel OT Replacement Parking	--	94																									
Total	29,000	447																									

<p>REDEVELOPMENT (continued)</p>	<ul style="list-style-type: none"> • Parcel Size Adjustment: The leasehold area shall be reduced by removing the approximately westerly 207 linear feet from the landside area, excluding the Waterfront Promenade area. The parcel size adjustment shall occur up to six months following the completion of construction of the replacement parking for Parcel OT. • Total development cost not less than \$13 million (\$1.35 million for Dock Replacement; \$11.65 million for New Commercial Building and Waterfront Promenade) in 2005 dollars. • Construction of Redevelopment Work to be completed within five years from effective date of the Restated Lease, subject to force majeure, which in no event shall exceed two years. • Capital Improvement Fund. A Capital Improvement Fund to be funded annually by Lessee will be maintained during the term of the lease according to the following schedule: Years 1-3 after completion: none; Years 4-5: 1% of gross revenue; Years 6-10: 1.25% of gross revenue; Years 11+: 1.50% of gross revenue. The Capital Improvement Fund must be fully expended for capital expenditures by ten years prior to the expiration date of the lease, which expenditures are subject to prior approval by the Department Director, not to be unreasonably withheld. • Renovation Fund. A Renovation Fund equal to 1% of gross revenue to be funded annually by Lessee and maintained during the term of the Restated Lease; must be fully expended to physically reposition the project to then current market requirements between 2034 and 2036. Thereafter, no Renovation Fund shall be required. The Renovation Fund may be maintained in the form of a letter of credit. Lessee to provide a renovation plan and budget, subject to County approval.
<p>LEASE TERM</p>	<ul style="list-style-type: none"> • Option to extend lease on Parcel 21 by 39 years from 8/31/2026 to 8/31/2065.
<p>EXTENSION FEE Fee equal to or commensurate with value of the extension</p>	<ul style="list-style-type: none"> • The amount of the extension fee shall be \$100,000, payable as set forth below. • Lessee shall pay a non-refundable option fee of \$100,000 prior to the granting of the Option. Such payment shall be credited against the extension fee if the Option is exercised, but shall be non-refundable in the event the Option is not exercised.
<p>MARKET RATE RENTS Ensure fair market rents</p>	<ul style="list-style-type: none"> • Minimum annual rent during construction to be reset at the beginning of construction equal to 75% of Lessee's previous three years' average total annual rent paid to County. • Minimum annual rent upon earlier of the date of receipt of the first Certificate of Occupancy (temporary) following commencement of construction ("CO Date") or Required Completion Date equal to \$215,000. Thereafter, minimum rent reset every three years equal to 75% of previous three years' average total annual rent paid to County until first renegotiation. • Percentage and minimum rents are subject to renegotiation to fair market rent ten years after earlier of CO Date or Required Completion Date and every ten years thereafter.

<p>PARTICIPATION IN SALE AND REFINANCE Secure County participation in sale and refinance of leasehold</p>	<ul style="list-style-type: none"> • Sale Participation: Greater of 5% of Gross Proceeds or 20% of Net Proceeds upon assignment or other direct or indirect transfer of leasehold. • Refinance Participation: 20% of net loan proceeds not reinvested in leasehold.
<p>COUNTY ADMIN. COSTS Ensure payment for County costs for lease extension</p>	<ul style="list-style-type: none"> • Lessee agrees to reimburse County for costs associated with lease extension negotiations and option and lease preparation, including all appraisal, consultant and legal costs.
<p>COUNTY INCOME CONTINUITY Ensure County revenue flow during development</p>	<ul style="list-style-type: none"> • Minimum annual rent during construction to be reset at the beginning of construction equal to 75% of Lessee's previous three years' average total annual rent paid to County.
<p>RIGHT TO RECAPTURE</p>	<ul style="list-style-type: none"> • Provide County with a right to purchase the leasehold interest if Lessee desires to either assign or sell a controlling interest.
<p>ARBITRATION</p>	<ul style="list-style-type: none"> • Arbitration will use rent-a-judge procedure. "Baseball" type arbitration provision.
<p>LEASE ASSIGNMENT - DISCLOSURE ISSUES</p>	<ul style="list-style-type: none"> • Lease assignment and ownership disclosure requirements in accord with standard County policy.
<p>DOCKMASTER</p>	<ul style="list-style-type: none"> • Lessee to maintain a dockmaster to manage the anchorage for the term of the lease.
<p>PROMENADE</p>	<ul style="list-style-type: none"> • Lessee to construct a waterfront promenade in compliance with Marina Local Coastal Program and subject to County's reasonable approval of plans. • Promenade area to remain within the leasehold, as described in Parcel Size Adjustment above. Lessee retains responsibility for construction and maintenance of Promenade.
<p>APPRAISAL</p>	<ul style="list-style-type: none"> • The Department has obtained an independent appraisal confirming the return to the County from the lease extension is equivalent to, or greater than, fair market value.

ENTITLEMENTS: SITE COVERAGE, HEIGHT & LAND USES	<ul style="list-style-type: none">• If Lessee is unable to obtain all necessary entitlement and financing approvals within the 12-month Option period, the Director may grant up to two six-month extensions if Lessee can demonstrate it has diligently pursued those approvals.• If Lessee obtains approvals within the 12-month (or 18- or 24-month) period but such approvals are subject to litigation or appeal brought by a third party, then the option exercise date will be tolled pending the resolution of such litigation or appeal; provided that the option exercise date shall in no event be later than four years after the date of the grant of Option.• Density, site coverage, open space, view corridor, building height, entitlement and land uses are subject to Lessee obtaining all County and Coastal Commission planning and entitlement approvals, including that of the Design Control Board.• Lessee may pursue County and Coastal Commission planning and entitlements approvals with respect to the provision of interim replacement parking and interim tenant space during construction.
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Additional Matters

OTHER TERMS	<ul style="list-style-type: none">a) Ten years prior to expiration of lease, Lessee to structure funding for removal of improvements (at County's election).b) Rental renegotiation and insurance disputes subject to rent-a-judge procedure pursuant to "baseball" type arbitration.c) Maintenance standards for improvements to conform to Marina del Rey standards as revised from time to time.d) Lease administrative items include: a) late fee of 6% plus interest at prime plus 3% for any late payments; b) security deposit equal to three months' minimum rent; c) insurance levels reset/renegotiated upon execution of the Restated Lease and every five years thereafter; d) County approval rights over all construction plans and specifications; and e) enhanced audit and record-keeping standards.e) Liquidated damages of \$100 per day (adjusted for inflation) for each cited maintenance deficiency that remains uncured after a specified cure period, to be assessed against the security deposit.
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FISCAL IMPACT/FINANCING

The Restated Lease reflects the County's current market rate percentage rents for all relevant categories. It will produce two categories of fiscal benefit to the County: 1) an extension fee; and 2) rent increases due to construction of a new commercial building containing not less than 29,000 square feet of rentable space and new docks. Each component is discussed in detail below.

