



**COUNTY OF LOS ANGELES
DEPARTMENT OF BEACHES AND HARBORS**



**STAN WISNIEWSKI
DIRECTOR**

**KERRY GOTTLIEB
CHIEF DEPUTY**

October 10, 2002

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

Dear Supervisors:

**APPROVAL OF NEGOTIATED RENTAL RATES
AMENDMENT NO. 7 TO LEASE NO. 14404 – PARCEL 145R – MARINA DEL REY
(FOURTH DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that proposed Lease Amendment No. 7 to Lease No. 14404 is categorically exempt under the California Environmental Quality Act pursuant to class 1(r) of the County's Environmental Document Reporting Procedures and Guidelines.
2. Approve and authorize the Chairman of the Board to sign the attached Lease Amendment No. 7 to Lease No. 14404 pertaining to the readjustment of rental rates and casualty insurance for the ten-year term ending December 31, 2009. The Amendment reflects a negotiated settlement based on current market conditions to: (a) establish a new minimum rent of \$13,229.50 per month, representing an increase from the current \$4,386.70 per month; (b) effect the following percentage rent changes: Restaurant, increase from current 3% to 3.5%; Miscellaneous Sales, from current 1% to 2%; Retail Sales, from current 1% to 2%; and (c) increase the commercial general liability insurance required to be maintained by the lessee to a higher limit of \$5 million per occurrence, \$10 million aggregate.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

All Marina del Rey leases provide for the periodic review of leasehold rents and liability insurance coverage to ensure that the rental rates payable to the County are maintained at current fair market levels and that the amount of general liability insurance is adequate to protect the County's interests. County rents are typically computed as the greater of either a fixed minimum rent or the total of varying percentages of the lessee's gross receipts from the leasehold's uses.

Based on our contract appraiser's recommendation, we have negotiated to adjust the following percentage rents for Parcel 145R for the ten-year period ending on December 31, 2009:

CATEGORY	PROPOSED RATES	CURRENT RATES
Restaurant (J)	3.5%	3%
Miscellaneous (S)	2%	1%
Retail Sales (S1)	2%	1%

These proposed percentage rental rates are consistent with the recommendations contained in the appraisal of the leasehold obtained by the Department and with general prevailing rates at other Marina del Rey leaseholds and at other Southern California marinas. Also based on the appraisal, all other categories of percentage rents applicable to this lease remain unchanged.

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Based on average gross receipts for the three years immediately preceding this rent adjustment effective date, minimum rent will be increased from \$4,386.70 to \$13,229.50 per month. Consistent with the appraisal recommendation, the minimum rent will be adjusted on January 1, 2003, January 1, 2006 and January 1, 2009 to an amount equal to 75% of the average annual rent paid by the lessee to the County over the prior three years.

The lessee also agreed to increase the commercial general liability insurance from the existing requirement of \$100,000 per person, \$300,000 per occurrence of death or bodily injury and \$50,000 for property damage to the higher limit of \$5 million per occurrence and \$10 million in the aggregate, as recommended by the Chief Administrative Office's Risk Manager.

The amount of retroactive rent owed by lessee to County, representing the difference between the (i) actual rents paid by lessee under the rental rates in effect prior to the effective date of Lease Amendment No. 7 from the 2000 Rental Adjustment Date to the Effective Date and (ii) the sum which is calculated to be due for rental rates from the 2000 Rental Adjustment Date to the Effective Date based upon the rental adjustments set forth in the Lease Amendment No. 7, estimated to be in the amount of \$1,884, shall be paid by the lessee to the County within 10 days following the Amendment's effective date.

Implementation of Strategic Plan Goals

The recommended action will provide additional rent to the County in furtherance of the Board-approved Strategic Plan Goal of Fiscal Responsibility.

FISCAL IMPACT/FINANCING

Based on lessee's \$221,848 rent paid in Fiscal Year 2000-2001, the annual rent due the County in the first year after the adjustment is projected to be approximately \$223,560, an increase of \$1,712 annually.

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FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Parcel 145R, commonly known as Marina International Hotel, is improved with 136 hotel rooms, approximately 250 sq. ft. of retail space, and a 40-seat restaurant. The leasehold occupies 90,194 sq. ft. of land in Marina del Rey. The 60-year ground lease between the County and lessee's predecessor-in-interest was executed in 1968.

This Lease Amendment No. 7 has been approved by County Counsel as to form. On the 9th day of October, 2002, the Small Craft Harbor Commission approved the Director's recommendation to approve the execution of the Lease Amendment. Accompanying the Commission's approval of the Director's recommendation was its encouragement of the Director's ongoing efforts to ensure that lessee is maintaining the leasehold premises in the manner as described in the Director's Policy Statement No. 25, Standards, Guidelines and Procedures Relating to Premises Maintenance.

ENVIRONMENTAL DOCUMENTATION

The proposed Lease Amendment No. 7 to Lease No. 14404 is categorically exempt under the provisions of the California Environmental Quality Act pursuant to class 1 (r) of the County's Environmental Document Reporting Procedures and Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

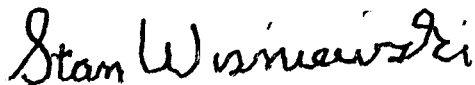
Approval of the renegotiated rental rates will increase the annual rents due the County and provide additional liability insurance coverage for Parcel 145 for the ten-year period ending December 31, 2009.

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CONCLUSION

Please have the Chairman of the Board of Supervisors sign all copies of the Lease Amendment and have the Executive Officer of the Board return two executed copies to the Department for distribution.

Respectfully submitted,

A handwritten signature in black ink that reads "Stan Wisniewski". The signature is written in a cursive style with a large initial "S".

Stan Wisniewski
Director

Attachment
SW:PW:le

c: Chief Administrative Officer
County Counsel
Auditor Controller

AMENDMENT NO. 7 TO LEASE NO. 14404

PARCEL NO. 145R - MARINA DEL REY SMALL CRAFT HARBOR

READJUSTMENT OF RENT

THIS AMENDMENT TO LEASE is made and entered into this _____ day of _____, 2001 (the "Effective Date").

BY AND BETWEEN

COUNTY OF LOS ANGELES
hereinafter referred to as "County",

AND

MGC MARINA DEL REY INTERNATIONAL,
a California general partnership, hereinafter
referred to as "Lessee".

W I T N E S S E T H:

WHEREAS, County and Lessee's predecessor in interest entered into Lease No. 14404 under the terms of which County leased to Lessee's predecessor in interest that certain real property located in the Marina del Rey Small Craft Harbor, County of Los Angeles, State of California, now commonly known as Parcel 145R, which leasehold premises (the "Premises") are more particularly described in Exhibit "A" attached to and incorporated in said lease, (the lease and all amendments are collectively hereafter referred to as the "Lease"); and

WHEREAS, Section 15 of said Lease provides that as of January 1, 1990, and as of January 1st of every tenth (10th) year thereafter (the "Rental Adjustment Date"), the square foot rental, and all categories of percentage rentals ("Adjusted Rentals") shall be readjusted by Lessee and County in accordance with the standards established in said Section 15; and

WHEREAS, Section 15 further provides that such readjustments shall be accomplished by agreement of the parties and in the event such agreement cannot be reached, the readjustments shall be settled in the manner set forth at length in said Section 15; and

WHEREAS, Section 26 of said Lease provides that the amounts of casualty insurance required by said Section shall be subject to renegotiation at the same time and in the same manner as the amounts of rent shall be readjusted; and

WHEREAS, the parties hereto have reached agreement with respect to the Adjusted Rentals which are to apply for the ten (10) year period commencing on January 1, 2000 (the

"2000 Rental Adjustment Date"), and the amount of casualty insurance required to be maintained by Lessee under Section 26 for said ten (10) year period;

NOW, THEREFORE, in consideration of the mutual agreements, covenants and restrictions contained herein, the parties, and each of them, agree as follows:

1. SQUARE FOOT RENTAL. Commencing as of the 2000 Rental Adjustment Date, the first Paragraph of Section 12 (SQUARE FOOT RENTAL) of said Lease is deemed amended to read as follows:

"Commencing as of the 2000 Rental Adjustment Date, the annual square foot rental for the whole of the Premises shall be \$158,754.00. On January 1, 2003 and every third year thereafter, the annual square foot rental shall be readjusted to equal seventy-five percent (75%) of the annual average of all rents payable by the Lessee under Section 13 of the Lease for the immediately preceding three-year period."

2. PERCENTAGE RENTAL. Commencing as of the 2000 Rental Adjustment Date, Section 13 (PERCENTAGE RENTALS) of the Lease is deemed amended as follows:

Subsections (j) and (s) of Section 13 (PERCENTAGE RENTALS) are deemed deleted and the following subsections (j) and (s) are correspondingly substituted therefor:

"(j) **THREE AND ONE-HALF PERCENT (3-1/2%)** of gross receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beach and theater food facilities, except that gross receipts from facilities established and operated as a take-out food operation shall be reported under Subsection (s);

"(s) **TWO PERCENT (2%)** of gross receipts from the sale of miscellaneous goods and services not specifically provided for elsewhere in this Section."

3. RECONCILIATION RENT. The amount owed by Lessee to County representing the difference between (i) the actual rents paid by Lessee under the rental rates in effect prior to the effectiveness of this Lease Amendment from the 2000 Rental Adjustment Date to the Effective Date and (ii) the sum which is calculated to be due for rental rates from the 2000 Rental Adjustment Date to the Effective Date based upon the rental adjustments set forth in this Lease Amendment (the "Reconciliation Payment") shall be paid by the Lessee to the County within 10 days following the Effective Date.

4. INDEMNITY CLAUSE AND CASUALTY INSURANCE. Commencing as of the Effective Date, the second paragraph of Section 26 (INDEMNITY CLAUSE AND CASUALTY INSURANCE) of said Lease is deleted and the following substituted therefor:

"Lessee shall maintain in full force and effect during the term of this Lease comprehensive

general liability insurance to be written on a commercial general liability policy form CG 00 01 or its equivalent covering the hazards of premises/operations, contractual, independent contractors, advertising, product/completed operations, broad form property damage and personal injury with a combined single limit of not less than \$5,000,000 per occurrence and \$10,000,000 aggregate with no exclusions. The County and the Board of Supervisors, their officers, agents and employees shall be named as additional insureds under such liability insurance policy or policies."

5. MISCELLANEOUS. Except as herein specifically amended, all terms, conditions and provisions of the Lease shall be and continue to remain in full force and effect and are unmodified, and each of the parties hereto reaffirms and reacknowledges its respective obligations under the Lease as amended hereby.

IN WITNESS WHEREOF, County has, by order of its Board of Supervisors, caused this Amendment to Lease to be subscribed by the Mayor of said Board and attested by the Executive Officer thereof, and the Lessee has executed the same.

LESSEE:

MGC MARINA DEL REY INTERNATIONAL,
a California general partnership

By: Al Anwa USA, Incorporated,
a Delaware corporation, General Partner

By: T. Anwa
Its: CEO

By: N.Y. Overnight, Inc.
a California corporation, General Partner

By: T. Anwa
Its: PRESIDENT

COUNTY OF LOS ANGELES

By: _____
Chairman, Board of Supervisors

ATTEST:

VIOLET VARONA-LUKENS,
Executive Officer of
the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

LLOYD W. PELLMAN,
County Counsel

By: 
Deputy