



COUNTY OF LOS ANGELES
DEPARTMENT OF BEACHES AND HARBORS



STAN WISNIEWSKI
DIRECTOR

KERRY GOTTLIEB
CHIEF DEPUTY

October 29, 2002

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:

**AUTHORIZE THE CHIEF ADMINISTRATIVE OFFICER AND THE DEPARTMENT OF
BEACHES AND HARBORS TO ENTER INTO EXCLUSIVE NEGOTIATIONS FOR
A LEASE OPTION TO DEVELOP PARCEL OT IN MARINA DEL REY
(4th DISTRICT)
(3 VOTES)**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICER THAT
YOUR BOARD:**

Authorize the Chief Administrative Officer ("CAO") and the Department of Beaches and Harbors ("Department") to proceed with exclusive negotiations with Goldrich & Kest Industries, LLC ("G&K") for a lease option to develop, construct and operate a 150-unit seniors-only retirement residence facility on Parcel OT in Marina del Rey.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to supplement your Board's prior authorization of July 31, 2001, which permitted the CAO and the Department to proceed with exclusive negotiations for lease options and lease extensions regarding nine proposals recommended by the CAO and the Department. Approval of exclusive negotiations with G&K for this parcel by your Board would authorize the CAO and the Department to proceed with exclusive negotiations for a lease option with G&K to

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construct a 150-unit seniors-only retirement residence facility on Parcel OT, on the condition that replacement public parking for Parcels IR and NR is also constructed.

Review of Board's Prior Related Authorizations

On October 3, 2000, pursuant to your Board's authorization, the Department issued its *Request for Proposals for Development of Hotel/Motel, Restaurant, Retail and/or Other Uses on County Parcels GR, IR, NR, OT, AL-1, K-6, and LLS* and its *Invitation to Apply for Lease Extensions on Certain Marina del Rey Parcels Located in Development Zones 4, 5 and 12* (collectively, the "Solicitation"). The Solicitation invited proposals from parties interested in new development in Marina del Rey and from current lessees interested in redevelopment of their existing Marina del Rey parcels. Proposals for visitor-serving uses were encouraged, consistent with the goals of the Marina del Rey Asset Management Strategy, on both existing leaseholds and certain County-owned parcels suitable for new development.

Nineteen proposals were considered. On July 31, 2001, your Board authorized the CAO and the Department to proceed with exclusive negotiations for lease options and lease extensions regarding the nine proposals initially recommended. Of these, three were with Marriott International, Inc. ("Marriott") for Parcels GR, IR, NR and OT. Parcels GR, IR and NR are County public parking lots adjacent to or near the Marina Beach. Parcel OT, a public parking lot about 500 feet from Marina Beach, was designated by Marriott for the location of an additional 235 public parking spaces that could not be accommodated on-site on Parcels IR and NR due to planned hotel developments. The Marriott proposals were recommended over other competing proposals, including G&K's proposal for Parcel OT, due to superior economic returns and the beneficial visitor-serving uses that could be derived from the development of three Marriott hotels in the Marina Beach area.

Negotiation of the G&K Proposal

Although the original G&K proposal on Parcel OT was not recommended, your Board instructed the Department to explore alternative proposals with G&K and Marriott to determine whether the seniors-only retirement residence facility and Marriott's required replacement public parking facility could both be accommodated. The Department

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initiated both negotiations with Marriott and discussions with G&K, as directed. In the intervening period, G&K amended its original proposal to include construction of a parking structure on Parcel 21, a leasehold G&K controls, that would provide a superior alternative to Marriott's original proposal for replacement parking on Parcel OT, because the Parcel 21 leasehold is located adjacent to Marina Beach. Parcel OT thus becomes available for development of the retirement residence facility, and thereby creates a new revenue source for the County. Marriott has indicated its acceptance of this concept.

Implementation of Strategic Plan Goals

In furtherance of County Goal #4, "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 toward both revenue maximization and property redevelopment.

FISCAL IMPACT/FINANCING

The amended proposal offers increased lease revenue to the County due to the proposed development. Parcel OT is not currently leased, but is operated as a public parking lot in close proximity to Marina Beach. Net income to the County from parking on Parcel OT was \$15,282 in fiscal year 2000/2001. At stabilization, the proposed Parcel OT development is estimated to generate approximately \$431,000 annually, in addition to the public parking revenue to the County that would continue at essentially its current level, given that all public parking will be replaced.

Other than budgeted consultant and legal costs to analyze, evaluate and document the terms of proposed lease option, no County funds are presently contemplated to finance any costs associated with this request to enter into exclusive negotiations.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed project calls for G&K to construct a new 150-unit seniors-only retirement residence facility on Parcel OT, which will require a new lease. Jona Goldrich, Sol Kest and Warren Breslow are the beneficial owners of G&K.

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In addition to meeting parking requirements for the proposed residential units, the project would provide for the replacement of 186 existing parking spaces currently located on Parcel OT either wholly on Parcel OT or on a combination of Parcel OT and Parcel 21, within the new parking structure. The Parcel 21 parking structure, which G&K will also be required to build, will also provide replacement public parking for parking displaced from Parcels IR and NR as a result of Marriott's development of hotels on these parcels. G&K will not be permitted to commence construction on Parcel OT until the replacement public parking for Parcels IR and NR is fully entitled and agreement reached between G&K and Marriott for an equitable cost-sharing for the replacement public parking for Parcels IR and NR.

An earlier proposal of G&K for Parcel 21 redevelopment involved construction of a dry stack storage facility. This proposal was rejected as not compatible with existing and proposed adjacent uses. Since then, an alternate, more appropriate location for a dry stack storage facility has been determined by the Department on the Marina's eastside, which will be the subject of a Request for Proposals process in the near future. During negotiations with G&K for the Parcel 21 parking structure, G&K will need to identify how it intends to redevelop the remainder of Parcel 21. The intended Parcel 21 redevelopment and the appropriate lease extension will be the subject of a term sheet as to which we will seek direction from your Board.

The Marina del Rey Local Coastal Program ("LCP") designates Parcel OT, located in Development Zone 6, for parking use. The proposed development would involve a change in zoning on Parcel OT to Residential-IV or other land use category as may be appropriate during the entitlement process, as well as a transfer of entitlements from a neighboring Development Zone, to accommodate the proposed seniors-only residential use.

On the 9th day of October 2002, the Small Craft Harbor Commission (SCHC) unanimously approved the Department's recommendation to proceed with exclusive project negotiations. Pursuant to the suggestion of the SCHC, the Department also intends, prior to submission to your Board of any proposed final project terms for your consideration, to submit proposed site plans and elevations for both the Parcel OT and

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Parcel 21 projects to the SCHC and the Marina's Design Control Board at publicly noticed meetings for their review and recommendation.

ENVIRONMENTAL DOCUMENTATION

Approval of this request will not authorize the demolition or construction of any improvements. Development of the proposed improvements will require the issuance of various land use entitlements, including a coastal development permit and LCP amendment. Full environmental review will be conducted as part of the land use entitlement process. The issuance of permits authorizing any of the proposed construction will be contingent upon completion of the land use entitlement/environmental review process. Exercise of the lease option approved by your Board as a result of the exclusive negotiations recommended by this letter will be contingent upon the successful completion of that process.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

County-owned Parcel OT currently serves as a parking lot under County contract to Parking Concepts, Inc. Given that all public parking will be replaced, there is no direct impact on County services. Although the existing Parking Concepts, Inc. contract allows for the addition or deletion of included parking lot facilities and it is intended that all future parking contracts would contain similar provisions, it is anticipated that any replacement public parking constructed would continue to be serviced by the then current County parking contractor servicing Marina del Rey parking facilities.

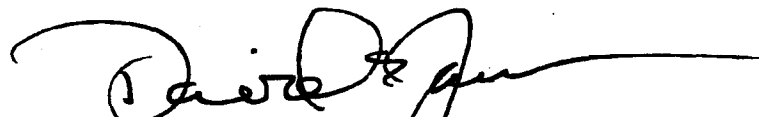
CONCLUSION

Please forward one adopted copy of this Board letter to the Department.

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Respectfully submitted,


Stan Wisniewski
Director


David E. Janssen
Chief Administrative Officer

c: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor Controller

SW:KG:RM:AK