



Caring for Your Coast

**Gary Jones**  
Director

**Kerry Silverstrom**  
Chief Deputy

**John Kelly**  
Deputy Director

**Brock Ladewig**  
Deputy Director

August 01, 2017

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:

**CONSENT TO: ASSIGNMENT OF LEASE NO. 12450  
THE WAREHOUSE RESTAURANT  
(PARCEL 133S AT 4499 ADMIRALTY WAY);  
ASSIGNMENT OF LEASE NO. 25740 – COMMODORE CLUB  
(PARCEL 134R AT 4519 ADMIRALTY WAY);  
OPTION TO ASSIGN AND FUTURE ASSIGNMENT OF LEASE NO. 17567 –  
CAFÉ DEL REY  
(PARCEL 131S AT 4451 ADMIRALTY WAY)  
MARINA DEL REY  
(FOURTH DISTRICT) (4 VOTES)**

**SUBJECT**

This Board letter requests the Board's consent to the proposed assignment of Lease Agreement No. 12450 for Parcel 133S and Lease Agreement No. 25740 for Parcel 134R, and an option to assign and future assignment of Lease Agreement No. 17567 for Parcel 131S, in Marina del Rey from THE COMMODORE CLUB INC., a California corporation and the current lessee for all three parcels, to CAH ACQUISITION CO., LLC, a California limited liability company and its permitted successors and assigns under the respective leasehold purchase and sale agreements between those two parties.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Find that the proposed actions are exempt from the California Environmental Quality Act (CEQA) because such actions do not constitute a project pursuant to Sections 15378(b)(5) of the CEQA Guidelines.
2. Consent to the proposed assignment of the Parcel 133S Lease to CAH Acquisition Co., LLC.

3. Consent to the proposed assignment of the Parcel 134R Lease to CAH Acquisition Co., LLC.
4. Consent to proposed option to assign and future assignment of Parcel 131S to CAH Acquisition Co., LLC.
5. Authorize the Director of Beaches and Harbors to execute any consents, estoppels, and related documentation necessary to effectuate the assignment of the Parcel 133S Lease.
6. Authorize the Director of Beaches and Harbors to execute any consents, estoppels, and related documentation necessary to effectuate the assignment of the Parcel 134R Lease.
7. Authorize the Director of Beaches and Harbors to execute and deliver documentation to evidence the future assignment of the leasehold to the Assignee (if consummated), and other ancillary documentation (including, without limitation, an estoppel certificate and consent to lease assignment) as required to facilitate the assignment of Parcel 131S.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Commodore Club, Inc., a California corporation, is currently the lessee (Lessee) for three parcels in Marina del Rey: Parcel 134R, the Commodore Club; Parcel 133S, the Warehouse Restaurant; and Parcel 131S, the Café Del Rey. Lessee is requesting County's consent to assign its leasehold interest in Parcels 133S and 134R (Parcels) to CAH Acquisition Co, LLC, a California limited liability company, which will transfer ownership to an affiliated company, CAH Marina I, LLC, a California limited liability company) (collectively "Assignee"). Lessee is also requesting County's consent to an option to assign and a future assignment of the Parcel 131S leasehold to Assignee, for a fixed price (\$779,075) at a time subsequent to the transfer of Parcel 133R leasehold and prior to the expiration of the Parcel 133R lease, which is coterminous with the Parcel 131S lease. Pursuant to the terms of the lease agreements, the Lessee must obtain the County's consent to the proposed assignment of the Lease Agreements, but such consent may not be unreasonably withheld.

Pursuant to that certain Department of Beaches and Harbors Policy Statement No. 23 – Assignments of Lease dated January 16, 1974, the County's decision whether to approve the proposed assignments shall be based on the following: a) the financial condition of the proposed assignee; b) the price to be paid for the leasehold as it relates to improvements or potential development thereon; and c) the management of the leasehold by the proposed assignee being in the best interest of the whole Marina.

The Department of Beaches and Harbors has reviewed the proposed assignment and has found that; a) the Assignee is affiliated with a portfolio of companies holding over 2.5 million square feet of commercial space with a multi-billion dollar value, and that Rick Caruso, its principal owner, has a published net worth of \$3.8 billion; b) the proposed sale prices of \$779,075 for Parcel 131S, \$820,325 for Parcel 134R, and \$1,150,600 for Parcel 133S appear to be justified based on the present income generated by the current uses on the respective parcels; and c) the proposed assignee's property management company, CARUSO MANAGEMENT COMPANY, LTD, A CALIFORNIA LIMITED PARTNERSHIP, has requisite experience in managing and operating well-known Los Angeles area upscale properties, such as The Americana at the Brand, The Grove, and Waterside, Marina del Rey.

In the separate purchase/sale agreements for Parcels 133S and 134R, Assignee has agreed to pay the current lessee an additional \$125,520.00 for Parcel 133S and an additional \$89,490.00 for Parcel 134R, if Assignee is able to negotiate an extended lease term of over 35 years under the respective agreements. The aforementioned terms were negotiated between the current lessee and the Assignee without any discussion with, representations by or approvals by the Department of Beaches and Harbors.

### **Implementation of Strategic Plan Goals**

The recommended action will ensure the County maximizes use of County assets, guides strategic investments, and supports economics development, in ways that are fiscally responsible and align with the County's highest priority needs, all of which promote Strategic Plan Goal No. III.3.2 (Manage and Maximize County Assets).

### **FISCAL IMPACT/FINANCING**

The proposed actions will have no direct fiscal impact on the County, as the proposed transfers do not trigger any contractual obligation for the Lessee to pay a participation or other fee to County.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The existing Lease Agreements for Parcels 133S, 134R and 131S all commenced on August 1, 1962, and will expire July 31, 2022. The current improvements include restaurants on Parcels 133S and 131S and an office building on Parcel 134R. Parcels 133S and 134R are contiguous and have frontage on Admiralty Way and are located west of the Lloyd W. Taber Marina del Rey Library along Admiralty Way. Parcel 131S is located on Admiralty Way, east of, but not contiguous to, Parcels 133S and 134R.

Department staff and County Counsel have reviewed the Lease Agreements and proposed option and assignments and have determined that the County has no reasonable basis on which to withhold its consent. No participation fee is due to the County under the terms of any of the involved Leases.

Entering into leases of the County's Marina del Rey real property is authorized by Government Code sections 25907 and 25536, and the proposed assignment is permitted by the Lease.

At its meeting of July 12, 2017, the Small Craft Harbor Commission unanimously endorsed the Director's recommendation that your Board consent to the assignment of the leases for Parcel 133S and Parcel 134R and the option to assignment and the future assignment of the lease for Parcel 131S.

### **ENVIRONMENTAL DOCUMENTATION**

The proposed County consent actions are not a project pursuant to the California Environmental Quality Act (CEQA) because such consent is an activity that is excluded from the definition of a project by Section 15378(b)(5) of the CEQA Guidelines. The proposed consent is an administrative activity of government which will not result in direct or indirect physical changes to the environment.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on current services or projects.

**CONCLUSION**

It is recommended that your Board approve the proposed consents to assignment of the Parcel 133S and Parcel 134R Leases and the option to assign and future assignment of the Parcel 131S Lease.

Please instruct the Executive Officer of the Board to send an adopted-stamped copy of this letter to the Department of Beaches and Harbors, 13837 Fiji Way, Marina del Rey, CA90292. Should you have any questions, please contact Phyllis Bordenave-Priestley at (424) 526-7739 or PBordenave-Priestley@bh.lacounty.gov.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Jones", with a stylized, cursive flourish at the end.

GARY JONES

Director

GJ:BL:SP:MR:pbp

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors