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Caring for Your Coast

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Gary Jones
Director

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Deputy Director

November 12, 2019

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:

**APPROVE A DELEGATION OF AUTHORITY TO THE DIRECTOR OF DEPARTMENT OF
BEACHES AND HARBORS AND CHIEF EXECUTIVE OFFICER TO NEGOTIATE AN
AMENDMENT TO SECOND AMENDED AND RESTATED LEASE NO.55624 – PARCEL 125R
(MARINA CITY CLUB) – MARINA DEL REY
(FOURTH DISTRICT) (4 VOTES)**

SUBJECT

Request for a delegation of authority to the Director of Department of Beaches and Harbors and the Chief Executive Officer, to negotiate a lease amendment providing that all Category B condo(1) owners may convert into Category A so that there may only be one category of condo ownership subsequent to the effective date of the proposed amendment.

(1)It should be noted that although the Lease, the applicable documents governing the Marina City Club, and this letter refer to the Marina City Club and its respective 600 residential units within the property as “condominiums” and/or “condos,” however the Marina City Club and such units are not technically a condominium pursuant to the California Subdivision Map Act, as amended, and each unit/condo owner is a sub-lessee under the Master Sub-Lease who holds a prepaid leasehold interest for the term of the Lease.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed actions are categorically exempt from CEQA pursuant to CEQA Guidelines section 15301 (Existing Facilities).
2. Authorize and instruct the Director of the Department of Beaches and Harbors (“Director”), with

the Chief Executive Officer ("CEO"), to negotiate an amendment ("Amendment") to the Second Amended and Restated Marina City Club Ground Lease ("Lease"), which Amendment shall, among other things, provide that all Category B condo owners may convert into Category A as defined in the Lease subsequent to the effective date of the Amendment.

3. Delegate authority to the Director and CEO to negotiate in accordance with the terms set forth in Paragraph 2 above, including without limitation, any other terms necessary to effectuate the Amendment and other related documents; and delegate authority to the Director to execute the Amendment and other related documents.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On December 22, 2003, your Board consented to the assignment of the Lease to Essex Marina City Club, L.P. ("Lessee") for Marina City Club ("Parcel 125R"). The Lease is the only ground lease in Marina del Rey (and the only County-owned property generally) that allows condo ownership as well as apartment rentals. At the time the condos were approved in 1988, it was agreed that condo owners would pay ground rent to the County (via Lessee) that would substitute for the rent the County would have otherwise received if the units had remained as apartments rather than converting to condos. That ground rent represents a percentage of what the apartment rent paid to Lessee would have been at market rates (referred to as the "Shadow Rent" under the Lease) had the Lessee not converted the apartments into condo units. The Shadow Rent itself is not paid to anyone; it is merely used as a tool to calculate the ground rent payable to the County. Both the Percentage Rent and the Shadow Rent are adjusted periodically pursuant to the Lease.

Lease Amendment No. 4, which your Board approved on June 22, 2004, created two (2) categories of condominium subleases. Category A unit owners had to modify their respective subleases to opt into the provisions of Amendment No. 4 which, among other things, provided for a temporary freeze on annual increases to the Shadow Rent, with a fixed increase (3.75%) thereafter, a mechanism for such accumulated rents to fund certain repairs, and a mechanism to repay to the County the advanced and deferred rent (including an increase of 1.5% in the condo transfer fee, payable to the County). Category B unit owners, on the other hand, who did not opt into the provisions of Amendment No. 4 were subject to a variable rent increase, assessed individually for covered repairs, and were subject to a 1 % transfer fee. There are only nine (9) condo units (out of a total of 600) that are Category B units.

One Category B unit owner has recently requested that his condo be converted to a Category A unit; according to the Marina City Club Condominium Owners Association ("COA"), the other Category B owners are also considering converting their units to Category A units. To the extent that any or all the Category B units are converted to Category A units, the proposed elimination of multiple categories of condo owners with different rent calculation formulas will help ease the administrative burden on the Department of Beaches and Harbors ("Department") and promote more efficient administration of the Lease.

Implementation of Strategic Plan Goals

In furtherance of County Goal #3, "Realize Tomorrow's Government Today," Strategy III.3, "Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability," the proposed delegation of authority will allow Director to find solutions that ensure resources are expended in a responsible, efficient and strategic manner.

FISCAL IMPACT/FINANCING

The Department's operating budget will be minimally impacted by the proposed Amendment, in that the Category B owners have generally paid higher rents to the County than the Category A owners. For example, in 2018, the Category B owners as a group paid the County about \$33,000 more in rent than they would have had they been charged rent as Category A owners. However, because the Category B rent adjustments vary from year to year and because the rent owed to the County is set to be readjusted in the near future, the ongoing fiscal impact (whether negative or positive) is impossible to predict or quantify at this time.

Costs of consultants and primary County staff involved in the negotiation and development of the Amendment shall be reimbursed by the Lessee pursuant to the terms of the Lease and a reimbursement agreement between the County and the COA.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The term of the Lease commenced on November 7, 1986 and will expire on July 29, 2067. The Marina City Club development contains 600 condominium units, 101 low-rise apartment units, a marina, a promenade, commercial spaces, a restaurant, and certain common area facilities. As noted, Marina City Club is unique in that it is the only leasehold in Marina del Rey that allows for condo ownership; all of the other residential properties in the Marina are comprised of rental apartment units only.

At its meeting of October 30, 2019, the Small Craft Harbor Commission unanimously endorsed the Department recommendation that your Board delegate authority to the Director to negotiate and execute the proposed Amendment for Parcel 125R.

The proposed Amendment is authorized by Government Code sections 25536 and 25907 and will be approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION

Approval of the proposed Amendment is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15301 (Existing Facilities). Approval of the recommended actions will not result in any expansion of the existing use of the Marina City Club property.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on other current services or projects.

CONCLUSION

Please return one adopted copy of this letter to the Department of Beaches and Harbors, Asset Management Division. Should you have any questions, please contact Don Geisinger at (424) 526-

The Honorable Board of Supervisors

11/12/2019

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7730 or dgeisinger@bh.lacounty.gov.

Respectfully submitted,

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

GARY JONES

Director

GJ:AC:dlg

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