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August 28, 2003

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. 12 TO LEASE NO. 5601
PARCEL 41 (CATALINA YACHT ANCHORAGE) – MARINA DEL REY
(FOURTH DISTRICT)
(3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed lease amendment 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 Chair of the Board to sign the attached Amendment No. 12 to Lease No. 5601 pertaining to the readjustment of rents and insurance for a 10-year term ending May 31, 2012. The Amendment reflects a negotiated settlement based on current market conditions to: (a) increase the initial minimum rent from $9,473.99 to $11,491.77 per month with subsequent adjustments; (b) increase percentage rent for Boat Haul Out/Repair category from 4% to 5%; and (c) increase the commercial general liability to $4 million per occurrence and $6 million aggregate, from the previous levels of $1 million and $2 million, respectively.

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.

Section 15 of the lease stipulates that for the 2002 Adjustment Date (June 1, 2002) and each Rental Adjustment Date occurring every ten years thereafter, the percentage rent for

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Stan Wisniewski Director • Kerry Gottlieb Chief Deputy

each category of use shall be set at the higher of either (1) the rate in effect at the subject leasehold immediately preceding the 2002 Rental Adjustment Date for such category, or (2) the average of the then-existing percentage rental rates for that category of use charged to the following leaseholds: Parcels 7, 8, 10, 12, 13, 15, 20, 21, 28, 30, 41, 42/43, 44, 47, 53, 54, 77, 111, 112 and 132 in Marina del Rey.

Based on our review and calculation, only Category P - Boat Haul Out/Repair should be adjusted and we have, therefore, successfully negotiated an increased rent for this category from 4% to 5%. All other categories of percentage rents applicable to this lease are at market level and should remain unchanged. This proposed settlement is consistent with the general prevailing rates at other Marina del Rey leaseholds and at other Southern California marinas.

Based on average gross receipts from the leasehold for the three years immediately preceding this rent adjustment effective date, minimum rent will be increased from $9,473.99 to $11,491.77 per month. The minimum rent will be adjusted on June 1, 2005, June 1, 2008 and June 1, 2011 to an amount equal to 75% of the average annual rent payable to the County over the prior three years.

The lessee, Wesco Sales Corporation, d/b/a Catalina Yacht Anchorage, has agreed to maintain a higher level of commercial general liability insurance coverage on the leasehold. The new coverage will have a single limit of $4 million per occurrence, up from $1 million, and the aggregate will be increased from $2 million to $6 million, as recommended by the Chief Administrative Office's Risk Manager.

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 Fiscal Year 2002-2003 gross receipts of $43,960 for Category P, Boat Haul Out/Repair, which is the only rate subject to adjustment, the annual rent due the County for the category in the first year after the adjustment is projected to be $2,198, an increase of $440.00.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Parcel 41 is improved with two one-story buildings totaling about 2,085 square feet and 148 boat slips. The leasehold occupies 2.35 acres of land and 3.18 acres of water in

Marina del Rey. The 60-year ground lease between the County and the Lessee's predecessor-in-interest was executed in 1962.

This Lease Amendment No. 12 has been approved by County Counsel as to form. On July 23, 2003, the Small Craft Harbor Commission endorsed the Director's recommendation to approve the execution of the Lease Amendment.

ENVIRONMENTAL DOCUMENTATION

The proposed Lease Amendment No. 12 to Lease No. 5601 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 41 for the ten-year period ending May 31, 2012.

CONCLUSION

Please have the Chair 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,

Stan Wisniewski

Stan Wisniewski
Director

Attachment
SW:PW

c: Chief Administrative Officer
County Counsel
Executive Officer

AMENDMENT NO. 12 TO LEASE NO. 5601

Parcel No. 41--Marina del Rey

THIS AMENDMENT TO LEASE is made and entered into this _____day of _____, 2003 (the "Effective Date"),

BY AND BETWEEN **COUNTY OF LOS ANGELES, hereinafter referred to as "County,"**

AND **WESCO SALES CORP., a California corporation, hereinafter referred to as "Lessee."**

WITNESSETH:

WHEREAS, County and Lessee's predecessor in interest entered into Lease No. 5601 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 know as Parcel 41, which leasehold premises (the "Premises") are more particularly and legally described in Exhibit "A" attached to and incorporated in said lease, as amended (the lease and all amendments are collectively hereafter referred to as the "Lease"); and

WHEREAS, Section 15 to said Lease provides that as of June 1, 2002, and as of June 1 of every tenth (10th) year thereafter (each such date is hereafter referred to as a "Rental Adjustment Date"), the rates for all categories of percentage rent and liability insurance requirements (the "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 Lessee's percentage rent for each category of use shall be set at the higher of either (1) the rate in effect immediately preceding the 2002 Rental Adjustment Date for such category or (2) the average of the then-existing percentage rental rates for that category of use charged to all those Marina del Rey Small Craft Harbor leaseholds specified in Subsection (a) (i) ; and

WHEREAS, the parties hereto have reached agreement with respect to the Adjusted Rentals which are to apply as of June 1, 2002 (the "2002 Rental Adjustment Date").

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 2002 Rental Adjustment Date, the first paragraph of Section 12 of the Lease is amended to read as follows:

"The annual square foot rental for the whole of the Premises herein demised shall be deemed to have been adjusted as of June 1, 2002 and shall be $137,901.24. The annual square foot rental shall be readjusted on June 1, 2005 and on June 1 of every third year thereafter (the "Square Foot Adjustment Date"). On each Square Foot Adjustment Date, the annual square foot rental shall be readjusted to equal seventy-five percent (75%) of the annual average of all rents payable by Lessee under the Lease for the immediately preceding three-year period."

2. **Percentage Rental.** Commencing as of the 2002 Rental Adjustment Date, subsection (p) of Section 13 (PERCENTAGE RENTALS) of the Lease is deemed deleted and the following subsection (p) is substituted therefor:

"(p) FIVE percent (5%) of gross receipts or other fees charged by authorized boat repair yards, including repair, painting, tugboat, salvage and boat pump-out services and similar activities (collectively "Boat Haul Out/Repair"), except that where parts and materials are separately invoiced, they may be reported under Subsection (s) of this Section;

3. **Indemnity Clause and Insurance.** Commencing as of June 1, 2003, the second paragraph of Section 26 (INDEMNITY CLAUSE AND CASUALTY INSURANCE) of the Lease is deleted and the following substituted therefor:

"Lessee shall maintain in full force and effect during the term of the 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 $4,000,000 per occurrence and $6,000,000 aggregate. 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.

3. **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 Chair of said Board and attested by the Executive Officer thereof, and the Lessee or its duly authorized representative, has executed the same.

Dated:_____, 2003

COUNTY OF LOS ANGELES

By:_____
Chair, Board of Supervisors

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer–Clerk of the
Board of Supervisors

By:_____
Deputy

LESSEE

WESO SALES CORP., a California corporation,

By: Frank Butler

Its: President

APPROVED AS TO FORM:

LLOYD W. PELLMAN,
County Counsel

By:_____
Deputy

EXHIBIT A

BK M3271 PG 313

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. 41

Parcels 705 to 716 inclusive, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessor's Map No. 88, recorded in Book 1, pages 53 to 70 inclusive, of Assessor's Maps, in the office of the Recorder of said county.

Reserving and excepting therefrom unto the County of Los Angeles easements for sanitary sewer, fire access, storm drain and harbor utility purposes over those portions thereof designated on said map to be reserved by said county for such purposes.

DESCRIPTION APPROVED
AUG 31 1961
JOHN A. LAMBIE
County Engineer
BY [signature] DEPUTY