

# Marina City Club

Proposed Lease Amendment 10:  
Stabilizing County rent, Securing funding for  
future building maintenance, protecting  
County's real estate assets



*Caring for Our Coast*

# MCC: A unique property

Only owned residential units in Marina del Rey (i.e., condos as opposed to rental apartments)



3 high-rise towers built in late 1960s

Converted to condos in 1986

County owns the land; leases to Essex (Lessee)

Essex sells units to individual owners via Master Condo Sublease Agreement

600 condos

Property also includes apts, boat slips, charters, retail/office





# How does County rent work at MCC?

***Shadow Rent X Percentage Rent = County Rent***

**Example 1-bed condo:**

\$3500/month (Shadow Rent) X 12.5% = \$437.50 (monthly County rent)

Shadow Rent is intended to stand in for the \$ a unit would rent for were it still on the apartment rental market. Increases annually in line with various real estate indices.

# Pending Issues

- Longstanding dispute between County and Essex regarding rent structure
- Estimated maintenance deficiencies of approx. \$80-\$150 million (not including seismic)
- Need to identify funding sources to address



# Advantages of Proposed Amendment 10

- Simplifies and stabilizes formula for payment of County rent, resolving years of dispute
- Establishes a mandatory funding mechanism for needed improvements to the property
- Helps ensure appropriate building maintenance





# Fiscal Impact

- Stabilizes formula for payment of County rent
- Increased mandatory contributions to reserve funds



# Restructured Rent

- Assigned Rent Basis replaces Shadow Rent
- Assigned Rent Basis x 14.5%= Annual Rent
- For 2024 Annual Rent =\$4,635,099
- Annual Rent increases 3.25% each year



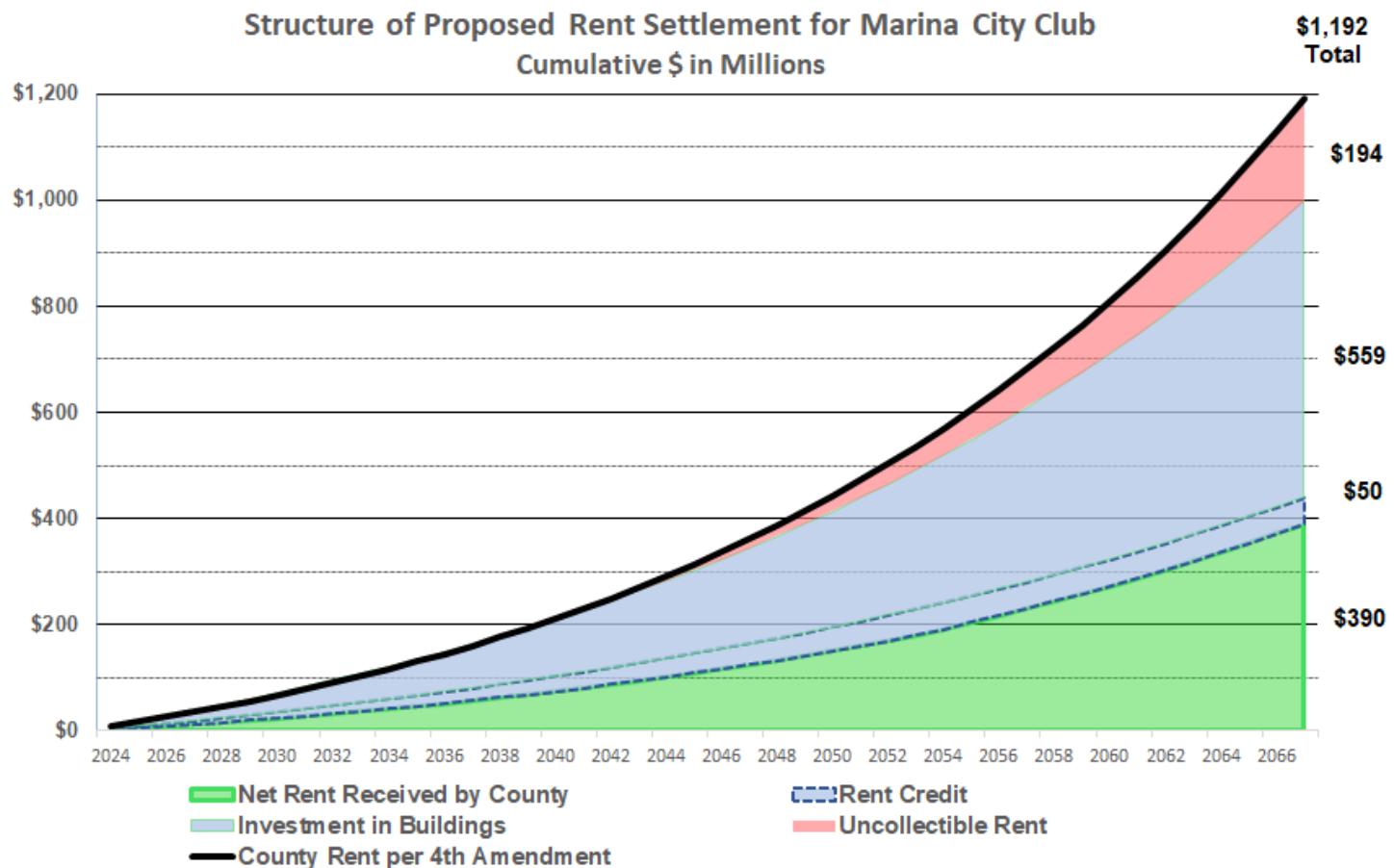
# Funding for Infrastructure & Capital Improvements

- Rent Credit - \$1,678,190 allocation from Annual Rent for next 30 years
- Lessee contributions (\$2,072,959 in 2024, increases 3.25% annually)
- COA contributions (\$2,280,000 by end of 2023, increases 5% annually)

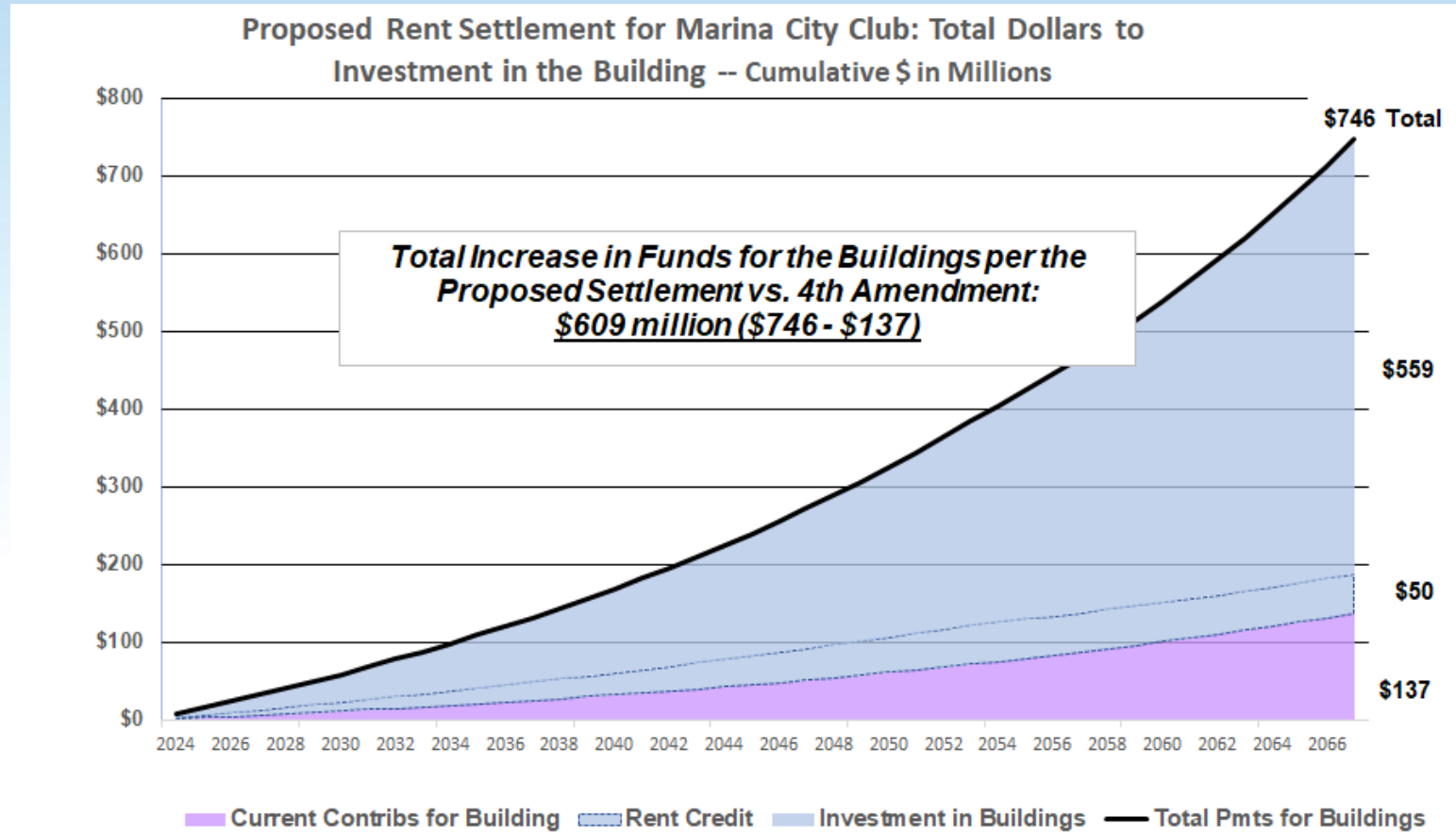




# Breakdown of Proposed Rent Restructure



# Fiscal Impact: Mandatory Investment in the Buildings





# Why is Amendment 10 the best way forward?

- Long-term, forward-looking
- Puts public/building safety first
- Protects value of County assets
- Limits potential County liability
- Eliminates or greatly reduces ongoing legal fees
- Avoids costly and time-consuming litigation
- Most fiscally responsible course of action



# Questions?

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