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December 16, 2008

Santos H. Kreimann
Acting Director

Kerry Silverstrom
Chief Deputy

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:

**SECOND RENEWAL OF OPTION TO AMEND LEASE NO. 6573
PARCEL 27R (JAMAICA BAY INN) – MARINA DEL REY
(FOURTH DISTRICT)
(4 VOTES)**

SUBJECT

Request approval for a second renewal of an option to amend the Parcel 27R (Jamaica Bay Inn) lease for an additional six months.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the Regional Planning Commission, acting on behalf of the County, has previously considered and adopted a negative declaration for the proposed redevelopment/replacement project contemplated by the Second Renewal of the Option to Amend Lease No. 6573 with respect to Parcel 27R (Jamaica Bay Inn).
2. Authorize the Chairman to execute the Second Renewal of Option to Amend Lease No. 6573 reflecting an additional six-month extension of the Option expiration to May 31, 2009.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County is the lessor of a ground lease for Parcel 27R in Marina del Rey, currently improved with a 42-room hotel (Jamaica Bay Inn). On May 30, 2006, your Board approved an Option to Amend Lease Agreement ("Option") to facilitate redevelopment and expansion of the hotel. The Option had an original expiration date of May 30, 2007, but allowed for up to an additional six months upon approval by the Director of the

Department of Beaches and Harbors ("Department"), which the Director did so grant. Despite diligent efforts to secure entitlements, the lessee was unable to exercise the Option by the extended November 30, 2007 date and, thus, your Board, on January 8, 2008, approved an additional six months for exercise of the Option, with another six months possible upon approval by the Director, or up to November 30, 2008.

Despite continued diligent efforts, the lessee has not yet secured full regulatory approval for exercise of the Option. The Regional Planning Commission approved the Coastal Development Permit ("CDP") and Conditional Use Permit ("CUP") for the project on August 15, 2007, without subsequent appeal, and the lessee obtained final Design Control Board approval in August 2008. However, the lessee still must secure its final approvals in order to obtain a building permit. The Department of Public Works continues to work closely with the lessee to resolve the remaining technical issues required to issue the building permit, which is expected to be issued within the next 60 days.

The attached Second Renewal of Option to Amend Lease No. 6573 ("Second Option Renewal") will extend the time within which the Option must be exercised by six months to May 31, 2009. Approval of the Second Option Renewal will allow for faster completion of the project and greater benefit to the County than a delay that would otherwise result if the County instead renegotiated a new option with the lessee.

Implementation of Strategic Plan Goals

The recommended action will allow the lessee to proactively redevelop its leasehold improvements, which will result in fulfillment of approved Strategic Plan Goals Nos. 1 and 4, "Service Excellence" and "Fiscal Responsibility", respectively.

FISCAL IMPACT/FINANCING

There is no fiscal impact.

Operating Budget Impact

Your Board's approval of the Second Option Renewal will not impact the Department's operating budget. If the lessee exercises its Option, the lessee will commence paying the County annual installments of the \$450,000 lease extension fee, with the first installment being \$35,000. Upon completion of the project, anticipated in 2011, the Department's annual operating budget will include an estimated annual revenue increase of \$185,000.

Costs of consultants and primary County staff involved in the negotiation and development of the Second Renewal are being reimbursed by the lessee.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The term of the Parcel 27R lease commenced on January 1, 1963 and expires on December 31, 2022. If the Option is exercised and the lease extended, the term will expire on December 31, 2061.

County Counsel has approved the Second Option Renewal as to form. At its meeting of December 10, the Small Craft Harbor Commission will consider the recommendation that your Board approve the attached Second Option Renewal. The Department will provide your Board with the Commission's recommendation prior to your Board's consideration of this item.

ENVIRONMENTAL DOCUMENTATION

On August 15, 2007, the Regional Planning Commission considered and adopted a negative declaration for the proposed redevelopment/replacement project prior to approving the CDP and CUP for the project, concluding that the proposed project will have no significant effect on the environment. The proposed Second Option Renewal does not raise any new or different environmental impacts.

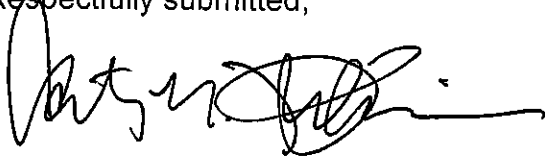
IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on other current services or projects.

CONCLUSION

Please send two copies of the executed Second Option Renewal to the Department of Beaches and Harbors.

Respectfully submitted,



SANTOS H. KREIMANN
Acting Director

SHK:KS:GB:ks
Attachment (1)

c: County Counsel

**SECOND RENEWAL OF OPTION
TO AMEND LEASE AGREEMENT
(Parcel 27R)**

THIS SECOND RENEWAL OF OPTION TO AMEND LEASE AGREEMENT ("**Second Renewal Agreement**") is made as of December __, 2008 between COUNTY OF LOS ANGELES ("**County**") and MARINA DEL REY INNVESTORS, a California limited partnership ("**Lessee**").

RECITALS

A. County and Spencer Investment Group, a California corporation (the "**Original Lessee**"), entered into Lease No. 6573 dated February 11, 1963, as amended (the "**Existing Lease**"), regarding the lease from County of certain real property in the Marina del Rey Small Craft Harbor now commonly known as Parcel No. 27R, as more particularly described in the Existing Lease (the "**Premises**").

B. Lessee has succeeded to the Original Lessee's right, title and interest as lessee under the Existing Lease.

C. County and Lessee entered into that certain Option to Amend Lease Agreement dated as of May 30, 2006 (the "**Original Option Agreement**"), pursuant to which County granted Lessee the right to extend the term of the Existing Lease through December 31, 2061 on the terms and conditions set forth in the Agreement (the "**Option**").

D. County and Lessee entered into that certain Renewal of Option to Amend Lease Agreement dated January 8, 2008 (the "**First Renewal Agreement**"), pursuant to which the Option was renewed and the Option Term was extended in accordance with the terms and provisions set forth therein. The terms and provisions of the Original Option Agreement were incorporated into and amended by the First Renewal Agreement. The Original Option Agreement, as incorporated into and amended by the First Renewal Agreement, is herein referred to as the "**Agreement**".

E. According to the terms of the Agreement, the latest date for the exercise of the Option (referenced in the Agreement as the "**Outside Expiration Date**") was May 30, 2008.

F. In addition to other previous extensions of the Outside Expiration Date, pursuant to Director's authority under Section 6.1 of the Agreement, Director has most recently extended the Outside Expiration Date to November 30, 2008.

G. County and Lessee desire to again renew the Option by providing for the further extension of the Outside Expiration Date in accordance with the terms and conditions set forth in this Second Renewal Agreement.

NOW, THEREFORE, Lessee and County hereby agree as follows:

IN WITNESS WHEREOF, the undersigned have executed this Second Renewal Agreement as of the date first written above.

LESSEE:

MARINA DEL REY INNVESTORS, a California limited partnership

By: [Signature]
Name: DALE MARQUIS
Title: Secretary

By: _____
Name: _____
Title: _____

COUNTY:

THE COUNTY OF LOS ANGELES

By: _____
Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI, Executive Officer of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR., County Counsel

By: [Signature]
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: [Signature]