

MINUTE ITEM

This Calendar Item No. 26
was approved as Minute Item
No. 26 by the State Lands
Commission by a vote of 3
to 0 at its 12/17/81
meeting.

CALENDAR ITEM

26

12/17/81
RW 22855
Horn

DETERMINATIONS UNDER 6701 ET SEQ. OF THE P.R.C.
CONCERNING A LEASE BETWEEN
CITY OF LONG BEACH AND
CROWLEY DEVELOPMENT CORPORATION;
WHICH LEASE HAS BEEN ASSIGNED TO
CATALINA LANDING ASSOCIATES

Catalina Landing Associates (a partnership between Crowley Development Corporation and Central Catalina Associates) has requested the Commission to make the determinations set forth in Section 6702(b) of the P.R.C. with respect to the lease (and a separate permit agreement to provide passenger service to Catalina Island and other points along the coast) described below. Briefly, the determinations relate to: (a) conformance with the terms of the granting statutes; (b) proceeds of the lease shall be expended for statewide purposes as authorized by the granting statutes; and (c) that the lease is in the best interests of the State.

DESCRIPTION OF LEASE

LESSOR: City of Long Beach
c/o John E. Dever, City Manager
333 West Ocean Boulevard
Long Beach, California 90802

LESSEE: Crowley Development Corporation
subsequently assigned to:
Catalina Landing Associates
c/o Jon T. Eicholtz
2476 North Lake Avenue
Altadena, California 91001

LOCATION: Approximately 10.41 acres of filled tide and submerged lands located south of Ocean Boulevard, on the north side of Queen's Way Landing, City of Long Beach (see site map attached).

LAND USE: Current: Two buildings and adjacent parking lot; enclosed boat basin and landing facility.

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Proposed: Removal of existing buildings and the construction of four office buildings containing approximately 250,000 square feet, a parking structure for 1,500 automobiles, streets or service roads, landscaping and other amenities, a passenger terminal, eating establishments and cocktail lounge. The office space is principally for marine or maritime orientation or purposes.

TERMS:

Duration: 66 years from the commencement date (commencement date is the first day of the month following State Lands Commission approval of the lease).

Rental: Per schedule below.

<u>Year</u>	<u>Fixed Rental</u>
1982	0
1983	\$150,000
1984	\$375,000
1985	\$450,000
1990	\$525,000
1994	\$675,000

Year 3-13 average \$525,000; to be adjusted thereafter according to schedule.

Additional rental in the form of percentage rent from the permit is set forth below.

Public liability insurance: \$1,000,000; comprehensive, general liability, auto and garage keepers liability.

DESCRIPTION OF ANCILLARY PERMIT

PARTIES: City of Long Beach and H. Tourist, Inc., a California Corporation (permittee).

H. Tourist, Inc. is a wholly owned subsidiary of Crowley Maritime Corporation.

TERM: Beginning date March 25, 1980; ending date December 31, 1989; with three five-year renewal options.

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RENTAL: Five percent of gross receipts (as defined)
anticipated rental set forth below:

<u>Year</u>	<u>Percentage Rent</u>
1982	\$ 92,000
1983	\$110,000
1984	\$265,000
1985	\$304,000
1990	\$398,000
1994	\$522,000
<u>Year 1982-94 Average</u>	<u>\$380,727</u>

The permit area covers a portion of the lease area and is included in this application to support the overall economic return to the City for the total area.

ENVIRONMENTAL IMPACT OF THE LEASE AND PERMIT

In accordance with CEQA and the State EIR Guidelines the City of Long Beach prepared a Negative Declaration for the project. Inasmuch as the development project conforms to the City's local coastal plan it was determined that the project would not have a significant environmental effect.

CONFORMANCE WITH GRANTING STATUTES

Legislative Acts relating to the leased lands include:

<u>Chapter</u>	<u>Year</u>
676	1911
102	1925
158	1935
29	1956, First E.S.
1560	1959
138	1964, First E.S.

Ordinarily staff does not believe that office complexes are consistent with the general public trust upon which the leased lands are subject. However, after careful review and consultation with the Office of the Attorney General, staff finds the lease to be in accordance with the terms and conditions of the granting statutes.

DISPOSITION OF LEASE PROCEEDS

All revenues derived by the City from the lease and the permit are required by Long Beach City Charter Section 1710 to be deposited to the credit of the City Tideland

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Operating Fund. The fund is impressed with the trust and the proceeds may be expended only for purposes directly related to the operation, maintenance and improvement of the granted lands. This disposition of the lease proceeds into the Tideland Operating Fund complies with the granting statutes and Section 6702 of the P.R.C.

IS THE LEASE IN THE BEST INTERESTS OF THE STATE?

LAND USE: Even though the site is currently developed and will displace existing tenants (tenants may occupy space in the new structures) it appears that the use of site for this purpose will be of statewide public benefit.

The development contemplated by the lease will result in the construction of four low-rise buildings which will be used for:

- (1) passenger terminal, offices and related services, for the business of providing cruises to and from Catalina Island and other points on the coast.
- (2) Office building to be occupied by tenants which are principally marine or maritime oriented.
- (3) Parking structure to service the above uses.
- (4) Coffee shop.
- (5) Restaurant and cocktail lounge.
- (6) Berthing and mooring facilities for tenants.

While office complexes are not normally considered a compatible trust use, staff believes that the lease provisions requiring that at least 75 percent of the space be let to business which are engaged in marine or maritime activities, provide sufficient safeguards to ensure that the lease promotes or accommodates commerce and navigation and is consistent with the public trust. Staff has also requested a letter from the City and its lessee acknowledging that primary emphasis is to be placed on leasing to tenants that promote or accommodate the public trust.

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CONSIDERATION: The site was appraised by Landauer Associates, Inc. as having a market value of \$7,000,000. Staff has reviewed the appraisal and concurs with the estimate of value. In addition to a fixed rental income for the office complex, the City will receive income from the permit with H. Tourist, Inc. the average annual income from the offices and the cruise terminal permit during the first 11 year's of full operation exceeds \$900,000. The anticipated rate of return to the City during this period approaches 13 percent. Staff feels that the consideration to be received by the City provides an adequate return on the use of the public's land.

STATEWIDE PUBLIC BENEFIT

The proposed uses of the site closely parallel the existing uses except for density by having greater utilization of the site the city will be maximizing the potential revenues and allowing a greater number of additional users for the lands. Income accruing from the lease and permit will be used for the betterment of the granted lands and aid in promoting related trust uses of the adjacent lands.

Activities such as coffee shop, restaurant and cocktail lounge together with enhanced cruise service will allow more people to utilize the site.

The proposed development conforms to the local coastal plan and would provide the public with a facility which enhances the granted lands with a minimum of environmental impact.

EXHIBIT: A. Site Map.

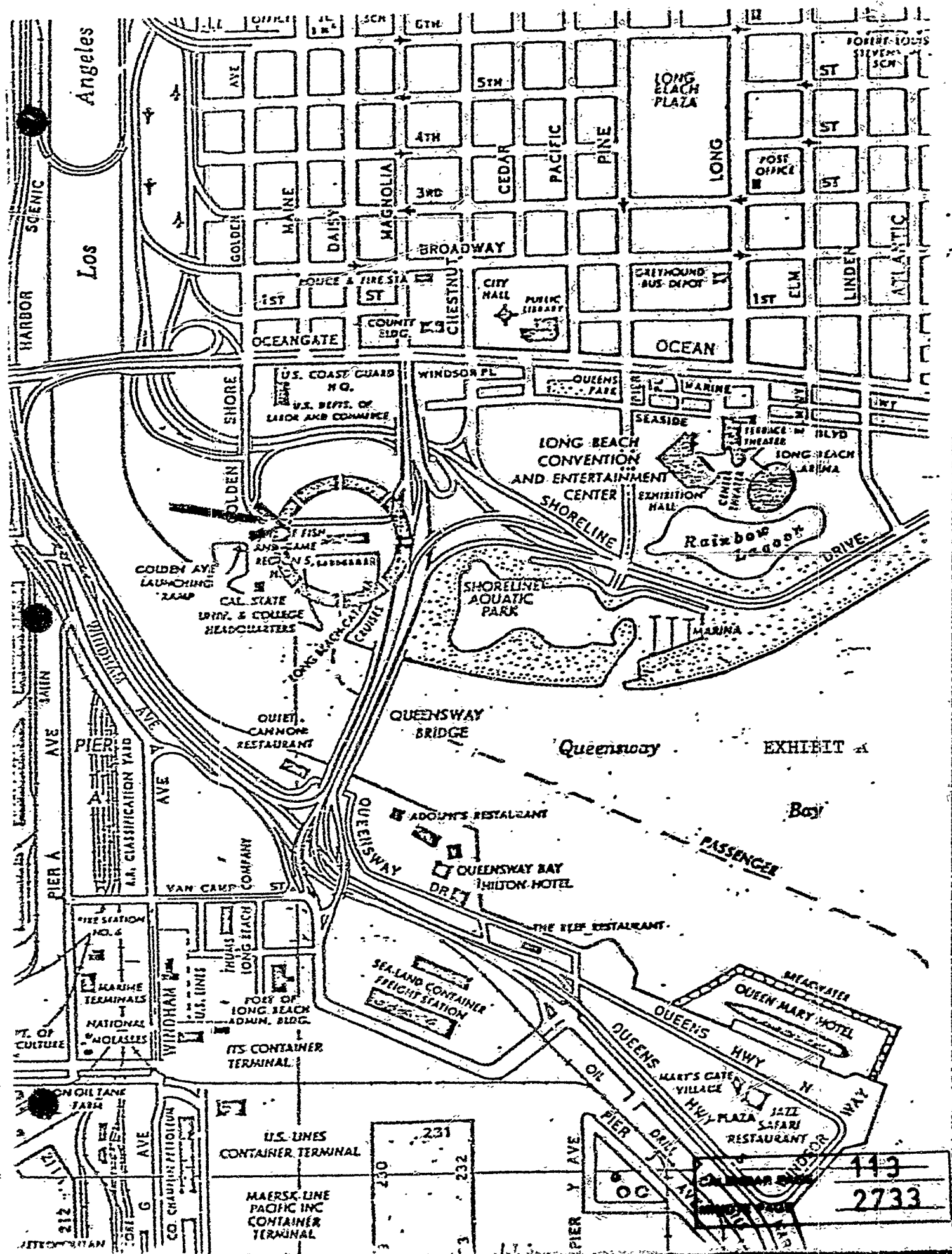
IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE CITY OF LONG BEACH, IN ACCORDANCE WITH CEQA AND THE STATE EIR GUIDELINES, COMPLETED AND CERTIFIED A NEGATIVE DECLARATION ON THE SUBJECT PROJECT.
2. MAKE THE FOLLOWING DETERMINATIONS, REQUIRED BY SECTION 6702 OF THE P.R.C., AS APPLYING TO THAT CERTAIN LEASE AND PERMIT DATED MAY 6, 1981 AND JANUARY 3, 1980, RESPECTIVELY BETWEEN THE CITY OF LONG BEACH AND CROWLEY DEVELOPMENT CORPORATION (AND LATER ASSIGNED TO CATALINA LANDING ASSOCIATES) AND H. TOURIST, INC.; ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.

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- (a) THAT SAID LEASE AND PERMIT ARE IN ACCORDANCE WITH THE TERMS OF THE GRANTS UNDER WHICH TITLE TO THE LANDS IN QUESTION ARE HELD BY THE CITY OF LONG BEACH.
- (b) THAT, PURSUANT TO LONG BEACH CITY CHARTER SECTION 1710, ALL REVENUES DERIVED FROM THE LEASE AND PERMIT SHALL BE DEPOSITED IN THE CITY'S "TIDELAND OPERATING FUND" EXPENDABLE ONLY FOR STATE-WIDE PUBLIC PURPOSES AS AUTHORIZED BY THE GRANTING STATUTES.
- (c) THAT SAID LEASE AND PERMIT ARE IN THE BEST INTERESTS OF THE STATE.
3. AUTHORIZE THE STAFF AND OR THE ATTORNEY GENERAL TO TAKE ALL ACTION NECESSARY TO COMPLETE THIS APPROVAL.

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