

MINUTE ITEM
This Calendar Item No. 31
was approved as Minute Item
No. 31 by the State Lands
Commission by a vote of 2
to 0 at its 11-19-87
meeting.

CALENDAR ITEM

A 58
S 37

31

11/19/87
WP 4432 PRC 7144
Rump
Kouyoumdjian
Kiley

PROPOSED TERMINATION OF LEASE INTEREST - COMMERCIAL USE;
ISSUANCE OF A NEW LEASE FOR A HOTEL COMPLEX DEVELOPMENT

APPLICANTS: Bruce Conn, Mark Scott Annerl
Kenneth Black and
Charles W. Legeman
aka Fountain Plaza Partnership
Attn: Allan E. Tebbetts
211 East Ocean Boulevard
Long Beach, California 90801

Bob Chang, aka Seal Beach Gateway, Inc.
Attn: Douglas S. Draper
30th Floor - Equitable Plaza
3435 Wilshire Blvd.
Los Angeles, California 90010-2897

BACKGROUND:

This item is the result of long term negotiations with the existing Lessees of the State Lands parcel of land located in the City of Seal Beach. This parcel has been under lease for about eight years and, even though the Lessees have attempted to bring a development to fruition, they have been unable to complete any type of development due to permitting problems. Many of the permitting problems have been overcome by the approval of a "Specific Plan" and a pertinent environmental document by the City of Seal Beach approximately one year ago. The "Specific Plan" will allow the development of a proposed hotel on the parcel.

The present lease does not allow the development of a hotel. At its August 1986 meeting, the Commission approved a new lease with Fountain Plaza, which would provide for a development which is

(ADDED 11/18/87)

CALENDAR PAGE	<u>145</u>
MINUTE PAGE	<u>4096</u>

(CALENDAR ITEM NO. 31 CONT'D)

consistent with the Public Trust and the allowable uses under the City of Seal Beach's Specific Plan. At that time, Fountain Plaza intended to assign its leasehold to Super 8 Lodging U, Ltd. (See Calendar Item No. 16, 8/28/86). Super 8 backed out of the deal, however, and the new lease was never executed.

CURRENT SITUATION:

In June 1987, Fountain Plaza entered into escrow with Bob Chang to transfer "that certain leasehold interest belonging to Seller (Fountain Plaza)" in the parcel to Mr. Chang, who proposes to build a Best Western type or better quality motel on the parcel.

Briefly, the details of the sale are as follows: for a \$550,000 purchase price by Chang, Fountain Plaza would agree that any interest it had in the parcel would terminate, and Chang would be the new lessee. Chang pays a \$100,000 commission to real estate brokers (\$50,000 each); the remaining \$450,000 is divided between the State and Fountain Plaza (\$150,000 to the State, and \$300,000 to Fountain Plaza).

Fountain Plaza and State Lands Commission staff have negotiated an agreement to terminate and release Fountain Plaza's interest in the leasehold. Fountain Plaza agrees to deliver a Quitclaim Deed into escrow and return the lands without liens or encumbrances.

TERMS OF PROPOSED LEASE:

Term: 49 years. Construction period first five years. If construction does not begin in 3 years or does not end in 5 years from date lease is executed, the State has the absolute right to terminate the lease.

Rent: \$12,000 per year for each lease year until the year after the foundation is poured or year 4, whichever occurs first. Rent for that year is \$24,000, and \$36,000 for the following year (year 5 at the latest). Operations period: \$50,000 minimum annual rental payable at the beginning of the Lease year against various percentages of gross income for several categories (as set forth in the lease), the difference, if any, to be paid at the end of the Lease year.

(ADDED 11/18/87)

--2--

CALENDAR PAGE	145.1
DATE PAGE	4097

(CALENDAR ITEM NO. 31 CONT'D)

1. Six percent of the gross rent from room rents.
2. Four percent of the gross income from all food and non-alcoholic beverages accruing from the operation of the restaurant.
3. Three percent of gross income from alcoholic beverages.
4. Fifty percent of the rent received from all sublessees conducting business on the premises.
5. Twenty-five percent of the net income received from gift shop, boutique, vending machines, or laundry concessions conducted on the premises.
6. Ten percent of the gross income from all other lessee-operated businesses on the premises.
7. Ten percent of the net income from telephone surcharges assessed on guest telephone calls.

The minimum annual rent will be adjusted at five-year intervals through the entire term of the lease, so that the minimum rent will be no less than 75 percent of the actual total yearly rent. The minimum annual rent and the difference between it and the percentage rent will be paid in monthly installments.

Performance
Deposit:

\$50,000. This deposit amount is to be adjusted to an amount equal to the Minimum Annual Rent up to a maximum amount of \$200,000, and performance will be personally guaranteed by Mr. Chang.

(ADDED 11/18/87)

-3-

NDAR PAGE	145.2
NOTE PAGE	4098

(CALENDAR ITEM NO. 31 CONT'D)

Insurance: Liability - \$5,000,000 Broad Form. Fire and Extended coverage - an amount equal to 100 percent of the full replacement cost of all buildings and improvements.

Security for Performance: 100% of the estimated construction cost to be secured either by a personal guarantee by Mr. Chang, backed by real estate collateral approved by the staff of the Commission, OR a performance bond. Failure of Mr. Chang to satisfy this security requirement shall be grounds for immediate termination of the lease.

Assignment: Assignments would require consent of the Commission. In case of assignments occurring after the 15th year, the Commission could adjust the required percentage rent as prescribed in the lease document.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. The City of Seal Beach prepared and circulated an initial study which addressed the maximum development which could occur under the approved Specific Plan for this parcel. The City found no significant environmental impact from the allowable developments and has adopted a Negative Declaration. The staff of the Commission has reviewed the above document and believes that it complies with the requirements of CEQA.

(ADDED 11/18/87)

-4-

CALENDAR PAGE	145.3
MINUTE PAGE	4099

(CALENDAR ITEM NO. 31 CONT'D)

EXHIBITS: A. Negative Declaration.
 B. Site Map. .

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A NEGATIVE DECLARATION WAS PREPARED AND ADOPTED FOR THIS PROJECT BY THE CITY OF SEAL BEACH AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
3. AUTHORIZE THE TERMINATION OF THAT LEASE BETWEEN THE COMMISSION AND BRUCE CONN, MARK SCOTT ANNERL, KENNETH BLACK AND CHARLES W. LEGEMAN DATED SEPTEMBER 18, 1981 APPROVED BY THE COMMISSION ON JUNE 24, 1981 AND RECORDED IN ORANGE COUNTY AS INSTRUMENT NO. 82-250298.
4. AUTHORIZE THE ACCEPTANCE AND RECORDATION OF A QUITCLAIM OF THE ABOVE LEASE.
5. AUTHORIZE THE EXECUTION ON BEHALF OF THE COMMISSION OF THAT LEASE FOR THE CONSTRUCTION AND OPERATION OF A HOTEL COMPLEX BETWEEN THE COMMISSION, AS LESSOR, AND SEAL BEACH GATEWAY, INC. (BOB CHANG) AS LESSEE, IN SUBSTANTIALLY THE FORM WHICH IS ON FILE IN THE SACRAMENTO OFFICE OF THE COMMISSION, FOR THE CONSIDERATION OUTLINED ABOVE. FAILURE TO EXECUTE SAID LEASE WITHIN FIVE (5) CALENDAR DAYS OF THE NOVEMBER 19, 1987 COMMISSION MEETING (BY NOVEMBER 24, 1987) SHALL CAUSE AUTOMATIC REVOCATION OF COMMISSION AUTHORIZATION FOR THE LEASE. DELIVERY OF AND ENTITLEMENT TO THE LEASE SHALL BE EFFECTED THROUGH THE ESCROW BETWEEN FOUNTAIN PLAZA AND MR. CHANG. IF SAID ESCROW DOES NOT CLOSE AND PAYMENT OF ALL SUMS DUE THE STATE ARE NOT MADE WITHIN 45 DAYS OF THE NOVEMBER 19, 1987 COMMISSION MEETING, THE LEASE SHALL BE NULL AND VOID.
6. APPROVE AND AUTHORIZE THE AGREEMENT TO TERMINATE AND RELEASE INTEREST OF FOUNTAIN PLAZA IN PARCEL OF LANDS AT SEAL BEACH, CALIFORNIA, IN SUBSTANTIALLY THE FORM WHICH IS ON FILE IN THE SACRAMENTO OFFICE OF THE COMMISSION.

(ADDED 11/18/87)

-5-

IDEAL PAGE	145.4
COPY PAGE	4100

(CALENDAR ITEM NO. 31 CONT'D)

7. DELEGATE TO THE EXECUTIVE OFFICER (OR DESIGNEE) AUTHORITY TO ACT AS LEASE ADMINISTRATOR FOR THE PURPOSE OF PROVIDING STATE APPROVALS WHERE REQUIRED UNDER THE TERMS OF THE ABOVE LEASE; SUCH DELEGATION SHALL NOT INCLUDE THE AUTHORITY TO APPROVE NON-EXEMPT ASSIGNMENTS OR SUBSTANTIVE AMENDMENTS TO THE LEASE.

(ADDED 11/18/87)

-6-

TAX PAGE	145.5
OFF PAGE	4101

EXHIBIT "A"

WP 4432

SCALE OF PAGE	145.6
	4102

SUMMARY OF ENVIRONMENTAL IMPACTS AND MITIGATION MEASURES

<u>IMPACTS</u>	<u>MITIGATION MEASURES</u>	<u>LEVEL OF SIGNIFICANCE AFTER MITIGATION</u>
<u>EARTH RESOURCES</u>		
<p>The project site could be subject to severe groundshaking, resulting from a strong earthquake on the nearby Newport-Inglewood fault system.</p>	<p>Buildings designed in accordance with the 1985 edition of the Uniform Building Code, Seismic Zone 4, is expected to satisfactorily mitigate the potentially damaging effects of strong seismic shaking, generated by major faults in the region, provided that potential ground instabilities (e.g., liquefaction and settlement) are adequately mitigated.</p>	<p>Mitigated to level of insignificance.</p>
<p>Secondary seismic effects such as soil liquefaction, ground lurching and seismically induced settlement could occur on the project site as a result of severe groundshaking.</p>	<p>The potentially damaging secondary seismic effects identified can be mitigated through the incorporation of one of several methods into the project plans and job specifications. The liquefaction hazard can be mitigated by soil densification techniques; by transferring building loads to pilings or similar deep formation; or by other grading and special foundation methods. The effects of ground lurching and settlement will also be mitigated by these same methods.</p>	<p>Mitigated to level of insignificance.</p>
<p>The site consists of relatively unconsolidated soils and has a high groundwater table, thus increasing the liquefaction hazard. In addition, the site is located in an area with a history of lurching. Due to the alluvial nature of the materials underlying the site, seismically induced settlement could occur during strong seismic shaking.</p>		

CALENDAR PAGE
MINUTE PAGE
42.7
4103

IMPACTS

MITIGATION MEASURES

LEVEL OF SIGNIFICANCE
AFTER MITIGATION

WATER RESOURCES

The project site is currently covered by impervious surfaces (e.g., asphalt and concrete). Redevelopment of the site with new commercial uses, therefore, will not significantly increase runoff from the site. The site currently drains to a drain inlet at the northern corner of the site. Runoff from the site is conveyed to the San Gabriel River through a 48-inch drain pipe. The project site is not located within a designated floodplain.

The site should be graded to drain to the existing drain inlet at the northern corner of the property.

Impact is not significant.

Development of the project site will result in a slight increase in amount of urban type pollutants (e.g., oils, debris, etc.) entering surface runoff.

Periodic sweeping of parking lot areas and clearing of storm drain catch basins will minimize impacts.

Impact is not significant.

BIOLOGICAL RESOURCES

The project site has been previously developed and contains no biological resources of significance. The remnants of a degraded salt marsh habitat area exist adjacent to the site on the Hellman Ranch property. Construction activity could result in impacts to the adjacent wetland area, including: (1) construction activity could result in the dumping of debris in the adjacent wetland area and (2) the operation of heavy machinery could result in further disturbance of the wetland area.

Dumping of rubble or debris into the adjacent degraded wetland will not be allowed. Operation of heavy machinery within the adjacent areas will be minimized.

Mitigated to level of insignificance.

Night lighting of the proposed project may disturb some wildlife species in adjacent areas.

Night lighting impacts can be mitigated by directing light away from adjacent areas by using lighting fixtures that down cut light and by limiting the height of these fixtures.

Mitigated to level of insignificance.

CALENDAR PAGE
145.8
4104

IMPACTS

MITIGATION MEASURES

**LEVEL OF SIGNIFICANCE
AFTER MITIGATION**

BIOLOGICAL RESOURCES (continued)

The project may have a beneficial impact on the adjacent degraded salt marsh habitat by: (1) possibly introducing fresh water (runoff) to the wetland area, thus reducing the salinity of the marsh and allowing for a greater diversity of marsh species; (2) the presence of the project may decrease the potential for illegal waste dumping in the wetland area; and (3) landscaping of the site could provide greater habitat for bird species.

No mitigation measures are necessary.

Beneficial impact.

CULTURAL RESOURCES

The project site is considered to have a low potential for the discovery of cultural resources.

If any archaeological remains are uncovered during grading, an archaeologist should be contacted to inspect the site. The archaeologist should be prepared to quickly assess the value and recover any archaeological remains that appear. The observation should be terminated when the archaeologist is satisfied that grading is deep enough to be below any possible archaeological deposition. If archaeological remains are encountered, the archaeologist should prepare a written report describing the finds. Any reported material should then be donated to a local institution with proper facilities for storage, display and student use.

Impact mitigated to level of insignificance.

LAND USE AND AESTHETICS

The proposed project could potentially be incompatible with existing and planned residential uses near the site.

The proposed specific plan includes development, performance and design standards that will ensure the compatibility of the proposed project with nearby land uses.

Impact mitigated to level of insignificance.

CALENDAR PAGE
MINUTE PAGE

145.9
4105

IMPACTS

MITIGATION MEASURES

LEVEL OF SIGNIFICANCE
AFTER MITIGATION

EARTH RESOURCES

The proposed project will result in a beneficial aesthetic impact as the site, which is currently vacant and unsightly, will be redeveloped in accordance with the design standards in the specific plan.

No mitigation measures are necessary.

Beneficial impact.

The proposed State Lands Specific Plan is consistent with the City of Seal Beach General Plan, Local Coastal Plan and the city's Riverfront Redevelopment Plan. The land uses allowed by the specific plan are also consistent with the intent of the public trust easement for commerce, navigation and fisheries that affects the site.

No mitigation measures are necessary.

Beneficial impact.

TRANSPORTATION/CIRCULATION

The hotel scenario will generate 2,590 daily vehicle trips, 200 of which will occur during the evening peak hour. The restaurant/dinner theatre alternative will generate 3,590 daily vehicle trips, 280 in the evening peak hour. All roads and intersections affected will operate at an acceptable level of service with the addition of traffic from the project.

Mitigation measures to improve circulation in and around the project site include: (1) the first driveway into the site should be located 400 feet from Pacific Coast Highway, (2) the second driveway should be restricted to right turns only, (3) if the restaurant scenario is built out to full intensity, the southbound left-turn pocket on Pacific Coast Highway should be extended to a storage length of 150 feet, (4) landscape plantings and signs should be limited to 36 inches in height with 25 feet of project driveways to assure good visibility and (5) stop signs should be located at the outbound project driveways on First Street.

Impact mitigated to level of insignificance.

CALENDAR PAGE
MINUTE PAGE

145.10
4106

IMPACTS

MITIGATION MEASURES

**LEVEL OF SIGNIFICANCE
AFTER MITIGATION**

AIR QUALITY

Construction activities will result in short-term fugitive dust emissions during the construction phase. Construction onsite could generate 4.1 tons of fugitive dust per month of construction activity.

The project will result in a slight increase in regional air quality impacts. This impact is not considered to be significant.

Mitigation measures will be implemented to reduce construction impacts to air quality as recommended by SCAQMD.

The proposed specific plan includes some measures that will mitigate air quality impacts by reducing stationary-source emissions, including: (1) a requirement that a bus stop be incorporated in the project; (2) a requirement that bicycle storage facilities be provided. In addition, compliance with the state energy conservation standards for building design will help reduce stationary source emissions from power plants.

Impacts mitigated to level of insignificance.

This impact is considered adverse but not significant.

EARTH RESOURCES

Short-term noise impacts will occur as a result of construction activities.

The project site is subject to significant roadway noise levels from the Pacific Coast Highway. The project site could also be subject to significant noise levels from First Street if First Street is extended to Seal Beach Boulevard as currently planned and the Hellman property is developed.

Short-term impacts will be mitigated by limiting construction activities to between 7:00 a.m. and 3:30 p.m.

An acoustical analysis report shall be submitted to the Development Services Department for review and approval prior to the issuance of building permits. The report shall demonstrate that interior noise levels will meet applicable noise criteria. Measures that can be incorporated into the project design include the construction of walls/berrns along Pacific Coast Highway and/or incorporating noise insulation into building design.

Impact mitigated to level of insignificance.

Impact mitigated to level of insignificance.

MINUTE PAGE
CALENDAR PAGE

145 11
4107

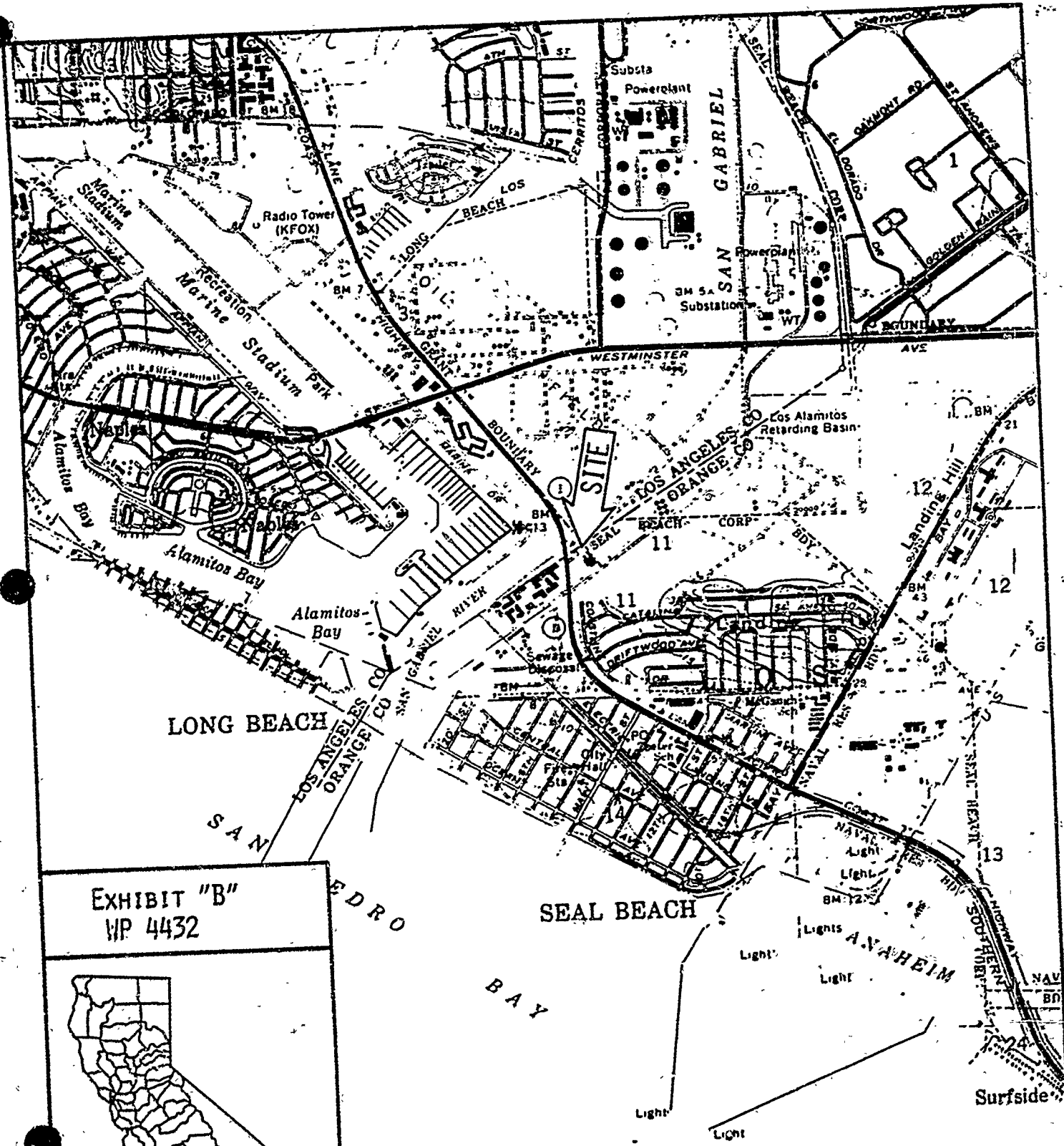


EXHIBIT "B"
WP 4432

