

MINUTE ITEM

This Calendar Item No. 08
was approved as Minute Item
No. 08 by the State Lands
Commission by a vote of 9
to 0 at its 5/23/91
meeting.

CALENDAR ITEM

08

A 58

S 37

05/23/91
PRC 7144
A. Scott

AUTHORIZE A TEMPORARY DELAY IN RENT PAYMENTS
UNDER EXISTING LEASE PRC 7144 COVERING A PARCEL OF LAND
IN THE CITY OF SEAL BEACH UNDER DEVELOPMENT AS HOTEL SITE

LESSEE:

Seal Beach Gateway, Inc.
c/o The SAFECO Company
Attn: Mr. Jeffrey M. Talbot
238 S. Atlantic Boulevard
Alhambra, California 91801

BACKGROUND:

In November 1987, the Commission authorized the issuance of a lease to Lessee for the development of a hotel on a parcel of land located in the City of Seal Beach at the intersection of Pacific Coast Highway and First Street. The lease contains special rental and other provisions for the purpose of encouraging rapid development of the parcel. The original beginning of construction date has passed. Lessee has continued to make scheduled rent payments as they fall due and in escalating amounts as required by the terms of the lease.

The City of Seal Beach, as part of its original planning process, prepared and circulated a Specific Plan and environmental document that provided for the development of the State's parcel as a hotel/restaurant site. Lessee has been diligent in pursuit of development of this parcel in accordance with the adopted City of Seal Beach Specific Plan. During this same period of time, the adjoining property was in the planning/development process. As part of that process, an EIR was prepared and circulated. That document identified some environmental and engineering concerns that had not been addressed in the original environmental document processed as part of the City's Specific Plan.

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CURRENT SITUATION:

The City has now required that additional environmental work be completed for the State's parcel prior to continuing the planning approval process for Lessee's hotel project. Such new environmental work will address seismic, liquefaction, traffic circulation, and other environmental concerns not covered by the prior environmental document.

The City's expanded process to secure approval of the project may take several additional months to complete. Lessee has made major financial commitments to this project, in the buy-out of the prior lessee, in preparing engineering plans, and in wetland restoration design required by the Coastal Commission. Lessee has asked for new construction-limiting dates because, through no fault of its own, it was unable to secure required local approval in a timely manner. Lessee has also requested some relief from rent for the period of time that the City will spend in the planning and approval process.

Staff believes that Lessee is acting in good faith in pursuit of approval for the development of this parcel. Lessee is willing to expend the significant additional cost of further environmental processing without knowing if the project can be developed; however, Lessee has proposed foregoing further rental payments until the environmental process is completed and the City of Seal Beach can proceed with its project approval process.

Staff believes that the remaining permitting process should take no longer than eighteen (18) months. Staff recommends that rent be reduced to \$12,000 per annum for either the eighteen-month period or until the City of Seal Beach either approves or disapproves a project on this site, whichever occurs first. Staff recognizes that the construction-limit date contained in the lease has passed. Staff believes that, due to the need for further environmental study of potentially significant environmental problems, the construction-limiting dates should be changed at this time. Such change will allow the processing of a supplemental environmental document and also continue to encourage Lessee's timely development of the State's parcel.

AB 884:
N/A

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this

activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

EXHIBIT:

A. Site Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. AUTHORIZE THE EXECUTION OF AN AMENDMENT TO LEASE PRC 7144 BETWEEN THE COMMISSION AND SEAL BEACH GATEWAY, INC., IN SUBSTANTIALLY THE FORM WHICH IS ON FILE IN THE SACRAMENTO OFFICE OF THE COMMISSION, TO CHANGE THE ANNUAL RENT FROM \$24,000 PER YEAR, PAID IN MONTHLY INSTALLMENTS, TO \$12,000 PER YEAR, PAID IN MONTHLY INSTALLMENTS, UNTIL COMPLETION OF A SUPPLEMENTAL ENVIRONMENTAL DOCUMENT AND APPROVAL BY LOCAL GOVERNMENT BUT IN NO EVENT FOR LONGER THAN EIGHTEEN (18) MONTHS FROM THE EFFECTIVE DATE OF THE AMENDMENT AND TO EXTEND THE CONSTRUCTION-LIMITING DATES CONTAINED IN LEASE PRC 7144 FOR TWO (2) YEARS.

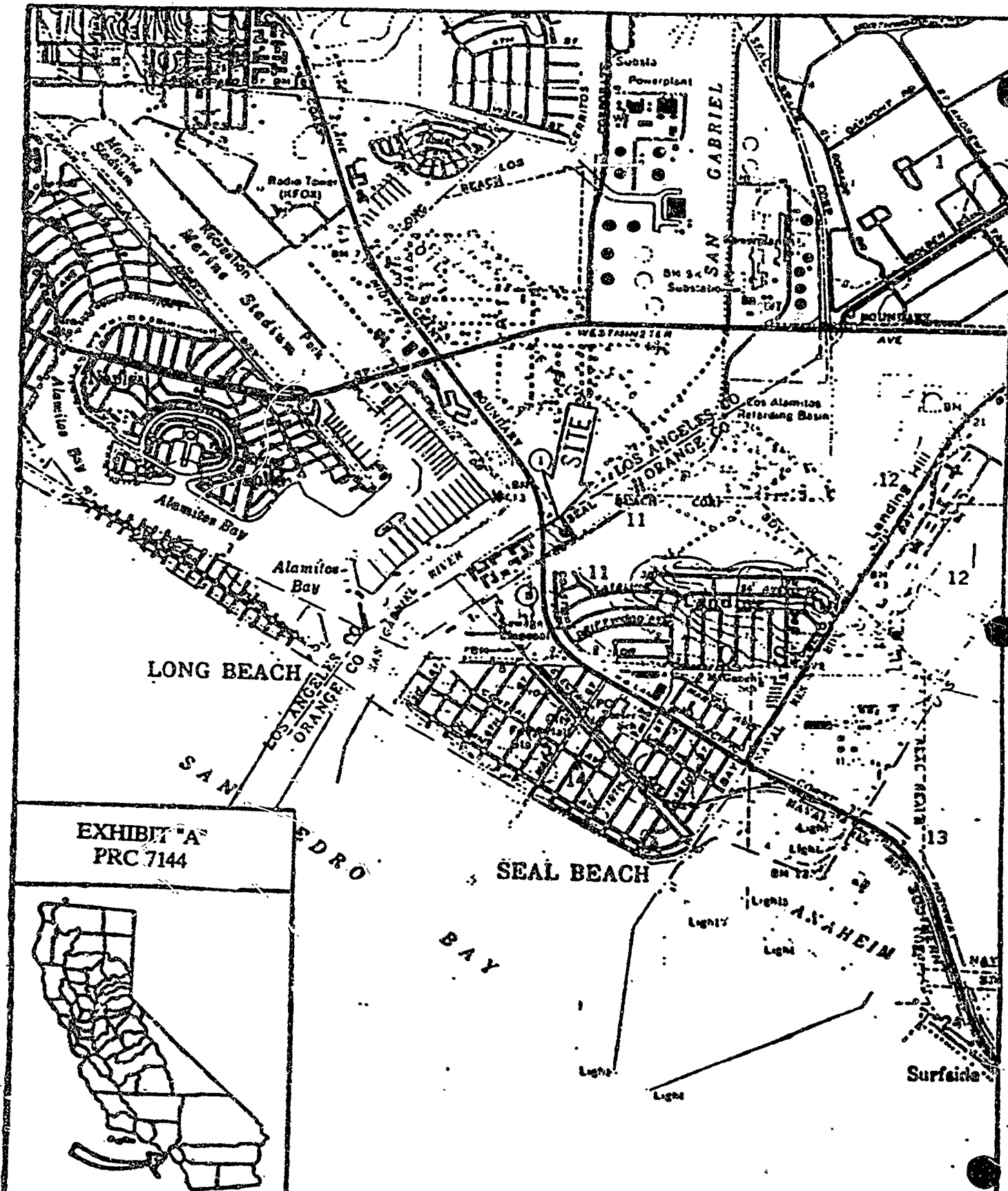


EXHIBIT "A"
PRC 7144