



Administrative Report

H.10., File # 21-2831

Meeting Date: 9/7/2021

To: MAYOR AND CITY COUNCIL

From: STEPHEN PROUD, WATERFRONT & ECONOMIC DEVELOPMENT
DIRECTOR

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2109-082, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO NAJA'S INTERNATIONAL, INC. DBA NAJA'S PLACE

APPROVE A LEASE WITH NAJA'S INTERNATIONAL, INC. DBA NAJA'S PLACE FOR THE PREMISES AT 150 INTERNATIONAL BOARDWALK FOR A MONTHLY AMOUNT OF \$6,187.50 WITH AN ANNUAL 3% BASE RENT INCREASE FOR THE TERM SEPTEMBER 7, 2021 - SEPTEMBER 6, 2026

EXECUTIVE SUMMARY

In July 2012, the City purchased the International Boardwalk leasehold and began the process of direct leasing to various tenants. This International Boardwalk is comprised of a narrow linear development of approximately 17,200 square feet that is fronted by a public walkway. The City has negotiated a new lease with Naja's International, Inc. dba Naja's Place ("Naja's") for the space at 150 International Boardwalk, which is approximately 2,750 rentable square feet. Naja's has been on a month-to-month term since August 1, 2019.

The proposed lease is for a sixty (60) month term with the City retaining the option to terminate the lease with a twelve (12) month prior written notice. Rental to the City's Harbor Uplands Fund is the greater of the minimum monthly rent of \$6,187.50, or 10% of gross sales.

BACKGROUND

In July 2012, the City purchased the International Boardwalk leasehold and began the process of entering into direct leases with various tenants. The International Boardwalk is comprised of a very narrow and linear development along the east side of the Redondo Beach Marina - also referred to as Basin III. The approximately 17,200 square feet of space is almost entirely prepared for retail and food and beverage uses.

Naja's has been a popular establishment on the International Boardwalk since 1999 and is known for its large variety of beer from around the world. The original Naja's lease commenced on August 1, 1999 and expired on July 30, 2014. The lease allowed for one (1) option to extend the term of the lease for five years. Naja's has been on a month-to-month term since August 1, 2019. The owners

are seeking a new 60-month lease for its current location at 150 International Boardwalk. The proposed lease carries a sixty-month term with a minimum monthly rent of \$6,187.50, or approximately \$2.25 per square foot - which is consistent with other similar restaurant leases in the waterfront. The monthly rent paid to the City will be the greater of the minimum monthly rent of \$6,187.50, or 10% of gross sales. The minimum monthly rent increases by 3% on the anniversary date for each year the lease remains in effect.

Under the lease, Tenant accepts the property "as is" with no further cost to the City. The City retains the right to terminate the lease with a twelve-month written notice. The lease is personally guaranteed by Scott Gregerson and Jay Outsen

COORDINATION

The Waterfront and Economic Development Department collaborated with the City Attorney's Office on this report. The City Attorney's Office has approved the document as to form.

FISCAL IMPACT

Lease revenue from the property will accrue to the City's Harbor Uplands Fund. The proposed lease will result in a minimum monthly rent of \$6,187.50 for the first lease year with an annual increase of 3% to the base rent. Over the five-year term of the lease, revenue to the Uplands Fund will be a minimum of \$394,203.30.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

Resolution No. CC-2109-082

Lease Between the City of Redondo Beach and Naja's International, Inc.

Naja's International, Inc. Lease and Amendments