



Honorable Mayor and Members of the Hermosa Beach City Council

APPROVAL OF LEASE EXTENSION FOR PROPERTY LOCATED AT 552 11TH PLACE (HERMOSA SELF STORAGE).

(Administrative Services Director Brandon Walker)

Recommended Action:

Staff recommends City Council:

1. Approve the extension of a month-to-month lease; and
2. Direct the City Manager to execute the extension of the lease (**Attachment 1**).

Background:

The City assumed the existing lease (with an expiration date of 1/31/09) when the property was purchased in March 2005. The lease is a triple net lease (whereby the lessee is responsible for insurance, taxes and maintenance). The original lease rate was \$15,646.92 per month, with an annual CPI adjustment not to exceed 3%. The lease was extended in 2008 for three years through January 31, 2012. In 2012, the lease was extended for another three years through January 31, 2015 at a reduced lease amount of \$15,000 with removal of the CPI clause. Mr. Richard Thielscher of Thielscher-Randall Corporation, owner of the Hermosa Self-Storage, requested the reduction based on continuing increased vacancies and a decline in the storage business due to the economy as well as the need for roof and pump maintenance, for which he is financially responsible. The City Council extended the lease on January 31, 2015 for 60 days through March 31, 2015 and for an additional 30 days through April 30, 2015. The lease was then extended for an additional five-year term through April 30, 2020, adding a one-year termination clause after the first two years of this extension. The lease was month-to-month beginning on May 1, 2020. At its meeting on June 23, 2020, City Council approved the sixth amendment to the lease, extending the terms for five years, commencing July 1, 2020 and ending on June 30, 2025, increasing the rent to \$20,000 per month, and including an annual cost of living adjustment not to exceed 3%.

Analysis:

The current lease amendment is due to expire on June 30, 2025. The new seventh amendment is needed to extend the lease with the city continues to negotiate with the current tenant on a longer-term deal. The agreement is month-to-month maintaining the

current monthly rent of \$22,510.18. The agreement updates a termination clause with six-month notice to the lessee. (Please see attached agreement).

General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

Governance

Goal 6. A broad-based and long-term economic development strategy for Hermosa Beach that supports existing businesses while attracting new business and tourism.

- **6.1 Long-term economic development.** Support the development and implementation of long-term economic development strategies that seek to establish and keep new businesses and a strong middle class in Hermosa Beach over the decades to come

Land Use

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policies:

- **1.4 Diverse commercial areas.** Promote the development of diversified and unique commercial districts with locally owned businesses and job or revenue generating uses.
- **1.5 Balance Resident and visitor needs.** Ensure land uses and businesses provide for the needs of residents as well as visitors.

Fiscal Impact:

The monthly lease rate (\$22,510.18) will remain the same under this month-to-month agreement.

Attachments:

7th Self Storage Lease Agreement Amendment

Respectfully Submitted by: Brandon Walker, Administrative Services Director

Noted for Fiscal Impact: Henry Chao, Finance Manager

Legal Review: Todd Leishman, Interim City Attorney

Approved: Steve Napolitano, Interim City Manager