

Council Meeting of
July 14, 2009

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Adopt Agreement for Termination of Lease by and between DCH Torrance Imports, Inc and the City of Torrance for property located at 2955 Pacific Coast Highway

RECOMMENDATION

Recommendation of the City Manager that the City Council authorize the Mayor to Execute and the City Clerk to Attest to an Agreement for Termination of Lease by and between the City of Torrance and DCH Torrance Imports Inc., a California corporation concerning a Lease for City-owned property located at 2955 Pacific Coast Highway.

FUNDING

No funding is required for the requested action.

BACKGROUND

The subject Lease was entered into in 1970. The parcel size is 2.74 acres with an initial term expiring in the year 2020.

The current Master Tenant, DCH Torrance Imports, Inc., operating as Torrance Toyota is in the process of acquiring the vacant dealership located at 2909 Pacific Coast Highway. Once acquired, a new facility will be constructed and Torrance Toyota will operate out of the new facility at 2909 Pacific Coast Highway and the current site located at 2955 Pacific Coast Highway. As part of the negotiation process, it was determined that operating under one Lease for both sites would be beneficial to both the City of Torrance and DCH in administering Lease terms. In order to accomplish a single Lease for both sites, the current Lease for the property located at 2955 Pacific Coast Highway must be terminated. Once terminated, the parcel can be added to the Lease currently only for 2909 Pacific Coast Highway. There is a companion item to this recommended transaction that brings forward an Amended and Restated Lease that addresses certain Lease terms as well as adds the current parcel for 2955 Pacific Coast Highway to that Lease.

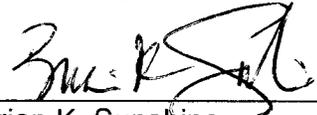
Respectfully submitted,

LeROY J. JACKSON
City Manager

CONCUR:

for

LeRoy J. Jackson
City Manager


By: Brian K. Sunshine
Assistant to the City Manager

Attachment: Agreement for Termination of Lease

**AGREEMENT
FOR THE
TERMINATION OF LEASE**

THIS AGREEMENT FOR THE TERMINATION OF LEASE (this "Agreement") is made and entered into as of the ____ day of _____, 2009, by and between the **CITY OF TORRANCE**, a municipal corporation (the "City"), and DCH Torrance Imports Inc. a California corporation ("Lessee"), formerly known as RAAMCO Motors, Inc, a California corporation. The City and Lessee are sometimes hereinafter referred to jointly as the "Parties" or individually as a "Party."

Recitals

A. The City and George H. Whittlesey executed a lease ("2955 Lease") dated July 1, 1970, covering certain real property commonly known as 2955 Pacific Coast Highway, Torrance, California ("2955 Premises") which at the time were part of the Torrance Municipal Airport. The parties to the 2955 Lease amended in writing certain terms on four (4) occasions and assigned the Lease on three (3) occasions, the legal description of the 2955 Premises as amended and assigned is attached hereto as Exhibit "A".

B. Pursuant to a certain lease, dated November 1, 2003 (the "2909 Lease"), between the City, as lessor, and Argonaut Holdings, Inc, a Delaware corporation ("Argonaut"), as lessee, the City leased to Argonaut certain real property commonly known as "2909 Pacific Coast Highway, Torrance, California," (the "2909 Premises"), the legal description is attached hereto as Exhibit "B".

B. In accordance with the terms and provisions of the 2909 Lease, and the provisions of that certain Agreement for the Termination of Leases, dated as of November 1, 2003, among the City, Argonaut and Peninsula Pontiac GMC Buick, Inc., Argonaut is the owner of the buildings, structures and other improvements located on the 2909 Premises (the "2909 Improvements").

C. In accordance with the terms and provisions of the 2955 Lease as amended and assigned, Lessee is the owner of the buildings, structures and other improvements located on the 2955 Premises (the "2955 Improvements").

D. Argonaut and DCH California Investments LLC, a California limited liability company ("DCH") entered into that certain Agreement for the Assignment and Assumption of Ground Lease and Purchase and Sale of Leasehold Improvements and First Amendment ("Argonaut Agreement") both dated as of February 26, 2009, wherein DCH wishes to acquire the rights and interest of Argonaut, and to assume certain duties and obligations of Argonaut as the lessee under the 2909 Lease and to purchase from Argonaut all of Argonaut's right, title and interest in and to the 2909 Improvements, and Argonaut wishes to assign its rights and interest under the 2909 Lease and to sell the 2909 Improvements to DCH.

E. DCH and Argonaut have made certain proposals to the City pursuant to which the 2955 Lease would be terminated prior to its expiration date and concurrently with such termination: (i) title to the 2955 Improvements shall not revert back to the City, but shall remain the property of Lessee, (ii) DCH and the City would enter into an Amended and Restated Lease so as to amend and restate the 2909 Lease, incorporate the 2955 Premises into the 2909 Lease, and amend certain terms of the 2909 Lease (the “Amended and Restated Lease”); and (iii) Argonaut would sell, convey and transfer Argonaut’s right, title and interest in and to the 2909 Improvements to DCH, which would thereupon become the owner of the 2909 Improvements, subject to the rights of the City as the lessor under the Amended and Restated Lease. The City is willing to terminate the 2955 Lease in accordance with the terms, and subject to the satisfaction of the conditions contained in this Agreement.

Terms and Conditions

Based upon the foregoing Recitals, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the City and Lessee and hereby mutually agree as follows:

1. Termination of 2955 Lease. On and as of the “Effective Date” (as hereinafter defined), the 2955 Lease and the leasehold estate created thereby shall be terminated in their entirety; provided, however, that all terms and provisions of the 2955 Lease which expressly state that such terms and provisions shall survive the expiration or earlier termination of the 2955 Lease shall survive the termination of the 2955 Lease.

2. Title to the Improvements. The City hereby agrees that, notwithstanding the provisions of Paragraph 7G and Paragraph 17A of the 2955 Lease concerning the vesting of title in, and surrender to, the City of the 2955 Improvements upon the termination or expiration of the 2955 Lease, and any other similar provision of the 2955 Lease, at such time as the 2955 Lease is terminated pursuant to this Agreement, title to the 2955 Improvements shall not vest in the City, but instead the 2955 Improvements shall remain the property of DCH, and shall become the property of the City only upon the expiration or earlier termination of the Amended and Restated Lease. The City hereby agrees to execute and deliver such other documentation as Lessee and or DCH may reasonably request to confirm that title to the 2955 Improvements is retained by DCH notwithstanding the early termination of the 2955 Lease.

3. Effective Date. For purposes of this Agreement, the “Effective Date” shall be the date upon which the Argonaut Agreement closes and the date that the Amended and Restated Lease shall commence and become effective. It is the express intent of the Parties that the termination of the 2955 Lease occurs concurrently with the closing of the Argonaut Agreement and the effectiveness of the Amended and Restated Lease. Accordingly, in the event that the closing of the Argonaut Agreement does not occur and the Amended and Restated Lease does not become effective, for any reason whatsoever, this Agreement shall not be effective for any purpose and the 2955 Lease shall not be terminated.

4. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without reference to conflict of laws principles.

5. Counterparts. This Agreement may be executed in several counterparts, but all such counterparts shall constitute one agreement which shall be binding on the Parties notwithstanding that all Parties are not signatories to the same counterpart or counterparts.

6. Further Assurances. The Parties hereby agree to execute, acknowledge and deliver such other statements, certificates, affidavits, instruments and other documents as may be reasonably required by any other Party in order to confirm, perfect, evidence or otherwise effectuate the intent and purposes of this Agreement.

IN WITNESS WHEREOF, the City and Argonaut have executed this Agreement for delivery as of the date first written above.

“LESSEE”

“CITY”

DCH Torrance Imports Inc.
A California Corporation

CITY OF TORRANCE
A Municipal Corporation

By: _____
Name: _____
Title: _____

By: _____
Name: Frank Scotto
Title: Mayor

ATTEST:

Sue Herbers
City Clerk

APPROVED AS TO FORM:

John L. Fellows III
City Attorney

By: _____
Ronald T. Pohl
Assistant City Attorney

State of _____
County of _____)

On _____, before me, _____ a notary public
personally appeared _____,
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (Seal)

State of _____
County of _____)

On _____, before me, _____, a notary public
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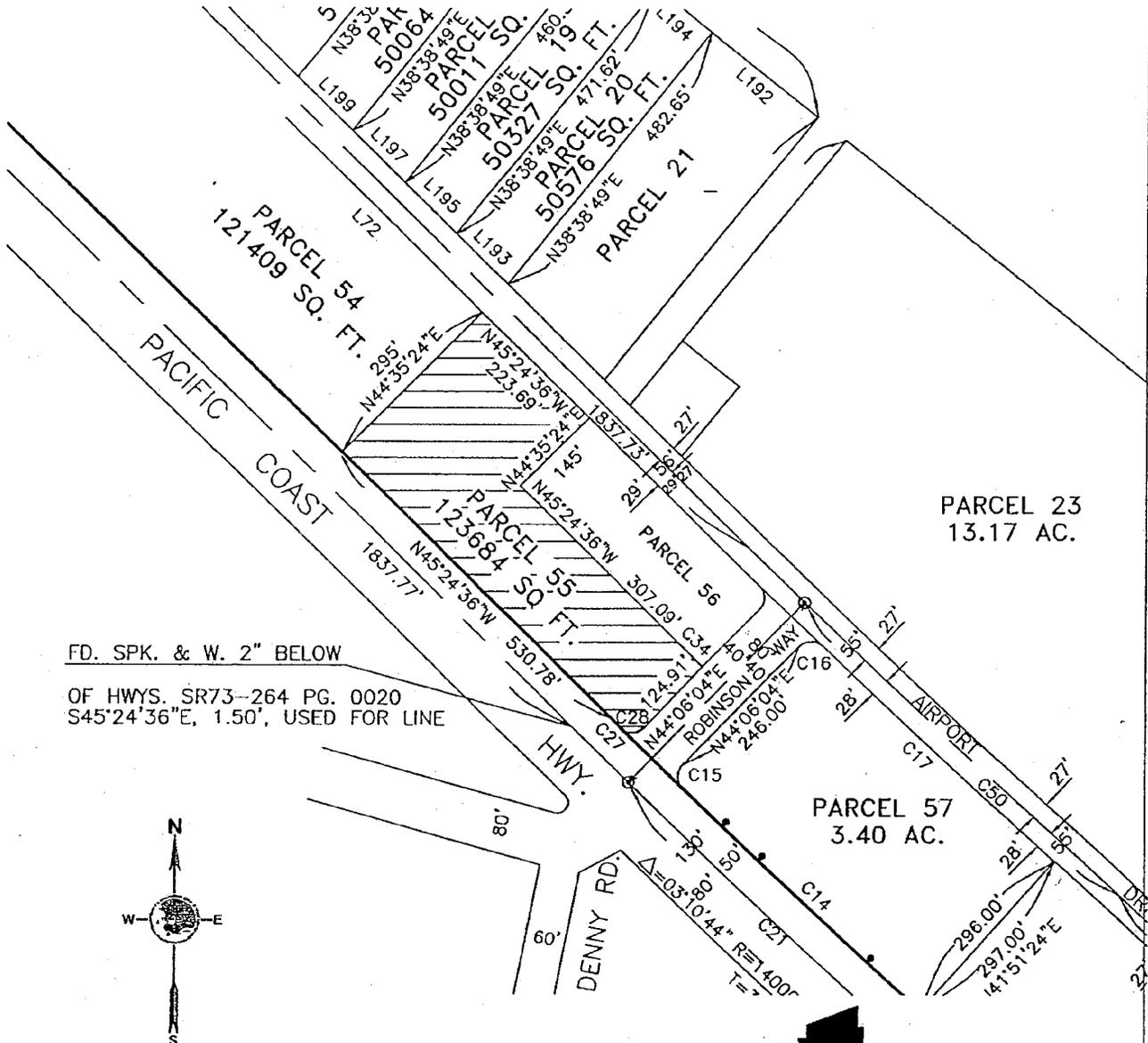
Exhibit "A"

2955 Premises Legal

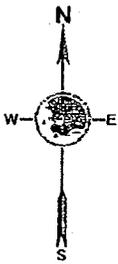
Parcel 55 of Official Map No. 2 in the City of Torrance, County of Los Angeles, State of California, as shown on a map filed in Book 5, Pages 44 through 51 inclusive, of Official Maps, in the Office of the County Recorder of said County.

DCH AUTO GROUP AIRPORT LEASE

NO.	DELTA	RADIUS	LENGTH	TANGENT
C27	00°13'18"	13950.00'	53.97'	26.99'
C28	90°16'03"	25'	39.39'	25.12'
C34	00°19'23"	13800.00'	77.81'	38.90'



FD. SPK. & W. 2" BELOW
OF HWYS. SR73-264 PG. 0020
S45°24'36"E, 1.50', USED FOR LINE



NOT TO SCALE

2945 PACIFIC COAST HWY.



COMMUNITY DEVELOPMENT DEPARTMENT
JEFFERY W. GIBSON
COMMUNITY DEVELOPMENT DIRECTOR

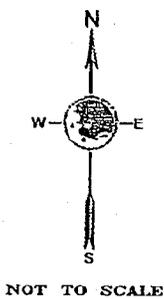
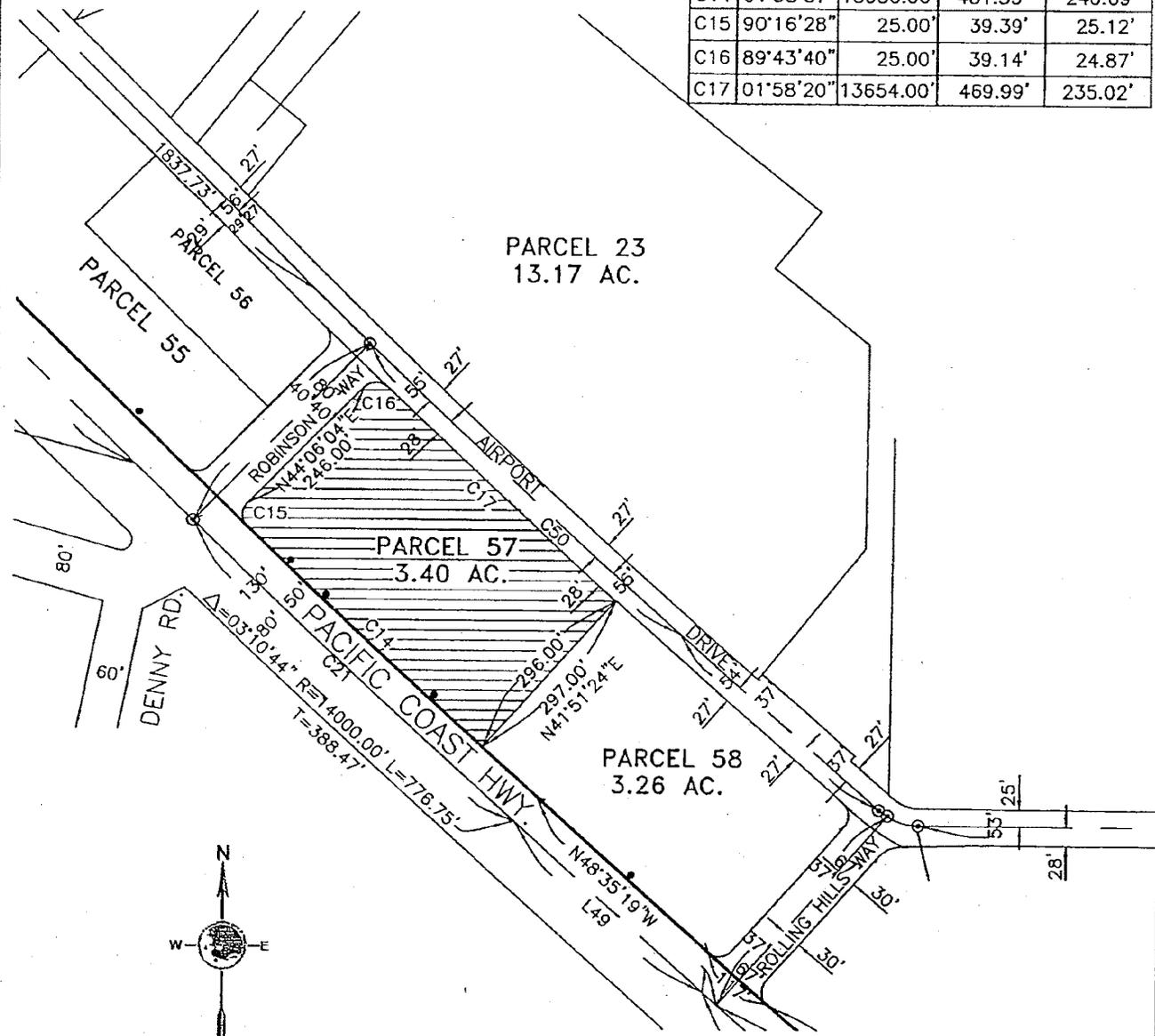
Exhibit "B"

2909 Premises Legal

Parcel 57 of Official Map No. 2 in the City of Torrance, County of Los Angeles, State of California, as shown on a map filed in Book 5, Pages 44 through 51 inclusive, of Official Maps, in the Office of the County Recorder of said County.

DCH AUTO GROUP AIRPORT LEASE

NO.	DELTA	RADIUS	LENGTH	TANGENT
C14	01°58'37"	13950.00'	481.33'	240.69'
C15	90°16'28"	25.00'	39.39'	25.12'
C16	89°43'40"	25.00'	39.14'	24.87'
C17	01°58'20"	13654.00'	469.99'	235.02'



2909 PACIFIC COAST HWY.



COMMUNITY DEVELOPMENT DEPARTMENT
JEFFERY W. GIBSON
COMMUNITY DEVELOPMENT DIRECTOR