

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

Members of the Council:

SUBJECT: City Manager - Executive Summary Council Items 12B – 12E; Transactions for transfer of Leases for properties located at 3055-3111, 3233 and 3311 Pacific Coast Highway

EXECUTIVE SUMMARY

There are four transactions before Your Honorable Body this evening that are required to Assign the Leases for City-owned property located at 3055-3111, 3233 and 3311 Pacific Coast Highway between subsidiaries of AutoNation that will allow relocation of franchises on City-owned leased property. The transactions are:

Item 12A Assign current Power Ford Lease to South Bay Mercedes

The current Master Tenant at 3311 Pacific Coast Highway is Peyton Cramer Ford, a California Corporation; they are a subsidiary of AutoNation operating as Power Ford. AutoNation has approached the City to relocate three of their dealerships onto other City owned property that they control. This first transaction Assigns the Lease from Peyton Cramer Ford to Carwell, LLC, a Delaware limited liability company to operate the facility as South Bay Mercedes. Once approved, the dealership will be renovated and re-open as Mercedes Dealership.

Item 12B Assign current Mercedes Lease to Infiniti of South Bay

The current Master Tenant at 3233 Pacific Coast Highway is Carwell, LLC, a Delaware limited liability company; they are a subsidiary of AutoNation operating as South Bay Mercedes. AutoNation has approached the City to relocate three of their dealerships onto other City owned property that they control. This second transaction Assigns the Lease from Carwell, LLC, a Delaware limited liability company to Peyton Cramer Infiniti, a California corporation to operate the facility as Infiniti of South Bay. Once approved, the dealership will be renovated and re-open as an Infiniti Dealership.

Item 12C Assign current Infiniti of South Bay Lease to Power Ford

The current Master Tenant at 3055-3111 Pacific Coast Highway is Peyton Cramer Infiniti, a California corporation; they are a subsidiary of AutoNation operating as Infiniti of South Bay and the former South Bay Jaguar store. AutoNation has approached the City to relocate three of their dealerships onto other City-owned property that they control. This third transaction Assigns the Lease from Peyton Cramer Infiniti, a California corporation to Peyton Cramer Ford, a California Corporation to operate the facility as Infiniti of South Bay. Once approved, the dealership will be renovated and re-open as Ford Dealership.

The Assignment also contains a Lease Amendment modifying the term of the Lease and adding a gross profit clause as additional rent to be paid in addition to the Minimum Basic Rent already paid.

Item 12D Three Party Agreement

The Three Party Agreement allows for Ford Leasing Development Company to step into the Lease if there is a default by the Master Tenant, Peyton Cramer Ford, a California Corporation. The Agreement also confirms certain aspects of the Lease in the Agreement.

Respectfully submitted,

LeROY J. JACKSON
City Manager


By: Brian K. Sunshine
Assistant to the City Manager

CONCUR:


LeRoy J. Jackson
City Manager

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

Members of the Council:

SUBJECT: City Manager – Approve an Assignment of Lease and Third Amendment to Lease concerning City-owned property located at 3311 Pacific Coast Highway

RECOMMENDATION

Recommendation of the City Manager that City Council approve modifications to a Lease on City-owned property located at 3311 Pacific Coast Highway by and among the City of Torrance (Landlord), a municipal corporation, Peyton Cramer Ford, a California Corporation (Current Tenant) and Carwell, LLC, a Delaware limited liability company (New Tenant) which include:

- Assignment of Lease; and
- Consent to Assignment of Lease
- Consent to termination of Sublease and Sub-Sublease; and
- Consent to termination of Sub-Sublease; and
- Modifications to certain terms and conditions of Lease

FUNDING

No funding is required for the requested action.

BACKGROUND

The original Lease was entered into in 1996. The original tenant was Peyton Cramer and the property was leased to develop a Ford dealership. The land area is 5.77 acres. The Lease originated June 1, 1996 and terminates May 31, 2021; there are options to extend the Lease five additional times in increments of 5 years each allowing for a maximum end date of May 31, 2046.

Shortly after the completion of the dealership, the Lease was assigned to Peyton Cramer Corporation which is an operating subsidiary of AutoNation. At this time AutoNation desires to move certain of their dealerships located on city-owned property to other city-owned property they currently Lease. In order to accomplish this, this Lease and the Leases at 3233 Pacific Coast Highway (Mercedes) and 3111 Pacific Coast Highway (Infiniti) must be amended; therefore there are other transactions that will be before Your Honorable Body this evening as companion items.

The transactions for this Council item terminates the Agreement to authorize a Ford Franchise at 3311 Pacific Coast Highway and allows for the relocation of the Mercedes Franchise to this site. The current Lease only allows for a Ford Dealership at this location.

ANALYSIS

The Third Amendment to Lease contains the modifications to the existing Lease required to terminate the use of the facility as a Ford Franchise and allowing for the Mercedes Franchise to locate and operate at the facility located at 3311 Pacific Coast Highway:

Third Amendment to Lease

The Third Amendment to Lease makes certain changes to the Lease to allow for site flexibility for other franchises to operate at the site. The current Lease only allows for the sale of new Ford vehicles at the site. The Lessee has requested flexibility to move franchises within the City of Torrance from one City leased site to another; this will allow the relocation of Franchises AutoNation sees for the best interest of sales in the community. The Amendment replaces the sale of Ford vehicles to Mercedes Benz, Infiniti and/or Ford.

Also contained is a modification to the requirement to operate during the construction of the improvements needed to transition the site from a Ford Dealership to a Mercedes Dealership; the Amendment gives an amount not to exceed 18 months for non-operation while under construction. It is anticipated that due to the movement of the three franchises involved there will not be a continuous period of non-operation but periods for each site when under construction. All other aspects of the Lease remain in full force inclusive of rent.

Also contained in the Amendment are:

- **Consent to Assignment of Lease**

This action allows for the Lease to be assigned from Peyton Cramer Ford (current tenant) to Carwell, LLC (new tenant). Carwell is the AutoNation entity that operates South Bay Mercedes. The Assignment of Lease transfers the Lease into Carwell's name.

- **Consent to Termination of Sublease**

The Sublease Agreement is between Peyton Cramer Ford and Ford Leasing Company. The Agreement places Ford Leasing into an operational Agreement for the current site; the Agreement places Ford Leasing Company in a position to guarantee the operation of the site as a Ford Franchise. This Agreement must be terminated to allow the relocation of the Ford Dealership.

- **Termination of Sub-sublease**

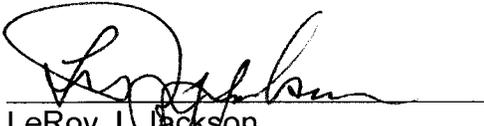
The Sub-sublease Leases the property back from Ford Leasing Company to Peyton Cramer Ford; this allows Peyton Cramer Ford the ability to operate at the site. This also must be terminated so that the site can be used for another franchise.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By 
Brian K. Sunshine
Assistant to the City Manager

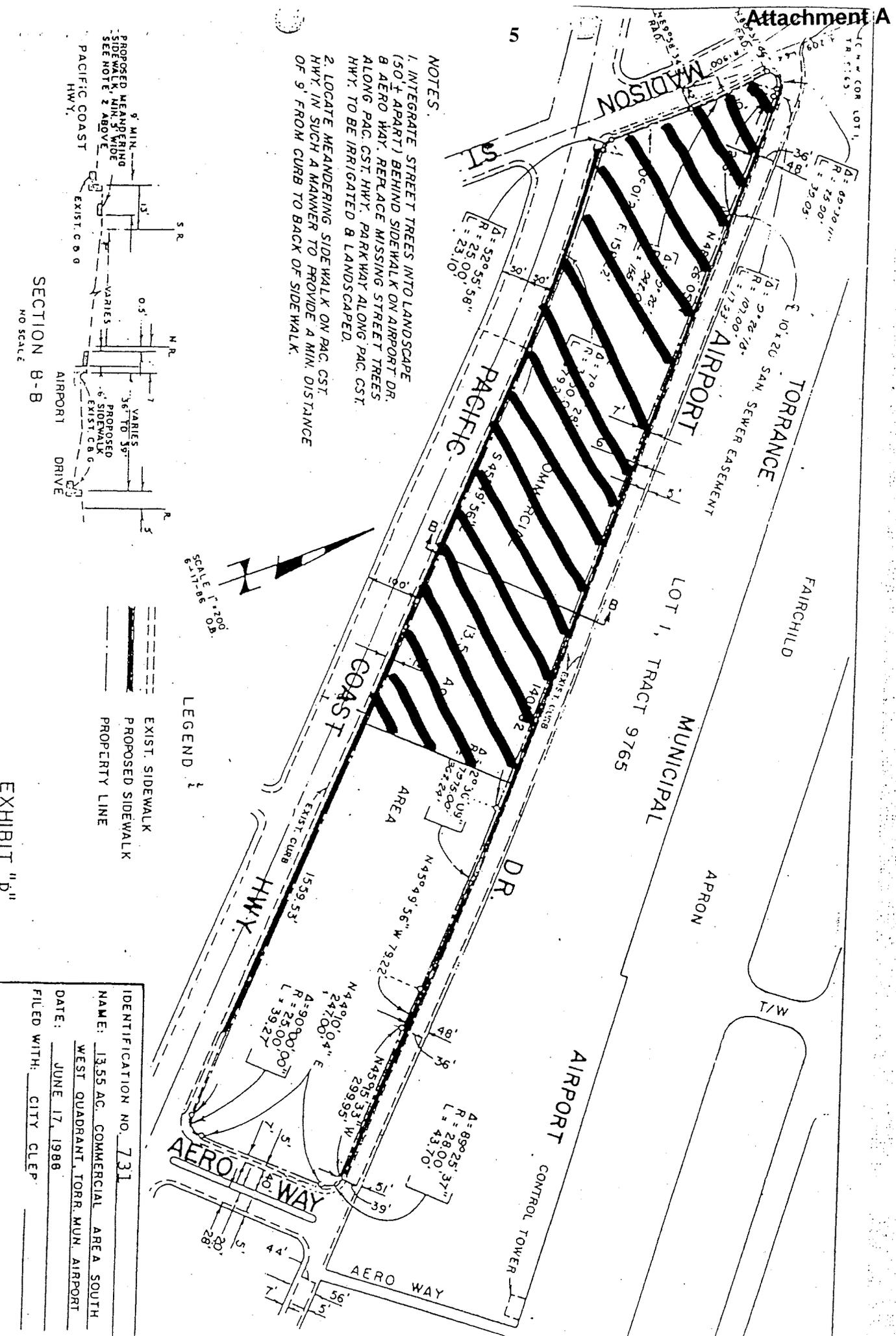
CONCUR:


LeRoy J. Jackson
City Manager

Attachments:

- A) Site Map
- B) Assignment of Lease, Consent to Assignment of Lease, Consent to Termination of Sublease and Sub-sublease and Third Amendment to Lease
- C) Termination of Sub-Lease
- D) Termination of Sub-sublease

- NOTES:
1. INTEGRATE STREET TREES INTO LANDSCAPE (50' ± APART) BEHIND SIDEWALK ON AIRPORT DR. & AERO WAY. REPLACEMENT MISSING STREET TREES ALONG PAC. CST. HWY. PARKWAY ALONG PAC. CST. HWY. TO BE IRRIGATED & LANDSCAPED.
 2. LOCATE MEANDERING SIDEWALK ON PAC. CST. HWY. IN SUCH A MANNER TO PROVIDE A MIN. DISTANCE OF 9' FROM CURB TO BACK OF SIDEWALK.



SCALE 1" = 20.00'

LEGEND

- EXIST. SIDEWALK
- PROPOSED SIDEWALK
- PROPERTY LINE

EXHIBIT "D"

IDENTIFICATION NO. 731

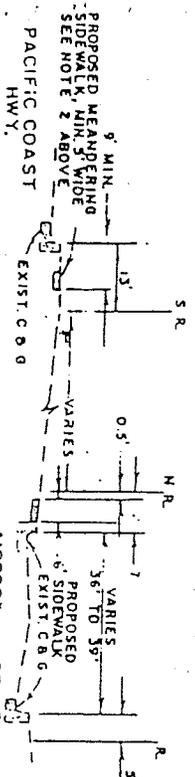
NAME: 13.55 AC. COMMERCIAL AREA SOUTH WEST QUADRANT, TORR. MUN. AIRPORT

DATE: JUNE 17, 1988

FILED WITH: CITY CLERK

SECTION B-B

NO SCALE



PACIFIC COAST HWY.

AIRPORT DRIVE

ASSIGNMENT OF LEASE, CONSENT TO ASSIGNMENT OF LEASE, CONSENT TO TERMINATION OF SUBLEASE AND SUB-SUBLEASE, AND THIRD AMENDMENT TO LEASE

This Assignment of Lease, Consent to Assignment of Lease, Consent to Termination of Sublease and Sub-Sublease, and Third Amendment to Lease (this "Amendment") is made on the 15th day of September, 2009 (the "Effective Date"), by and among CITY OF TORRANCE, a municipal corporation (the "Landlord"), PEYTON CRAMER FORD, a California corporation (the "Current Tenant"), and CARWELL, LLC, a Delaware limited liability company (the "New Tenant").

WITNESSETH

A. Landlord, as landlord, and Peyton A. Cramer, Trustee of the Peyton A. Cramer and Catherine R. Cramer Living Trust separate Property Shares of Peyton A. Cramer, as tenant, entered into that certain Lease dated June 1, 1996, as modified by First Amendment to Lease dated February 5th, 1997, that certain Assignment of Lease dated as of August 13, 1998, that certain Consent to Assignment of Lease and Merger dated as of August 13, 1998, and that certain Second Amendment to Lease dated as of August 13, 1998 (collectively, the "Lease"), pursuant to which Landlord leases to Current Tenant certain improved real property identified as 3311 Pacific Coast Highway in Torrance, California (the "Leased Premises").

B. Current Tenant desires to assign its interest in the Lease to New Tenant, an affiliate of Current Tenant.

C. Current Tenant and New Tenant desire to obtain Landlord's consent to the assignment to New Tenant of Current Tenant's interest in the Lease and Landlord agrees to give its consent.

D. Current Tenant and New Tenant desire to obtain Landlord's consent to (i) the termination of that certain Lease Agreement dated June 1, 1996 (the "Sublease"), by and between Current Tenant, as sublandlord, and Ford Leasing Development Company, a Delaware corporation ("Ford"), as subtenant, as evidenced by that certain Memorandum of Sublease recorded as Instrument No. 97-497707 in the Official Records of Los Angeles County, California and (ii) the termination of that certain Dealership Sublease Agreement dated June 1, 1996 (the "Sub-sublease"), by and between Ford, as sub-sublandlord, and Current Tenant, as subtenant, and Landlord agrees to give its consent.

E. Landlord and New Tenant desire to modify certain terms and provisions of the Lease.

Now, therefore, in consideration of the premises and the mutual covenants and agreements herein contained, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by reference.

2. Defined Terms. All capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Lease unless the context clearly indicates otherwise.

3. Assignment of Current Tenant's Interest in the Lease. As of the Effective Date, (i) Current Tenant assigns to New Tenant all of Current Tenant's right, title, interest and obligations in and to the Lease and (ii) New Tenant accepts such assignment and assumes all of Current Tenant's right, title, interest and obligations in and to the Lease.

4. Landlord's Consent to the Assignment of New Tenant's Interest in the Lease. Landlord hereby consents to the assignment and assumption described in Section 3 above and Landlord agrees that Current Tenant shall be and hereby is released from any obligations related to the Lease that accrue on or after the Effective Date. Landlord agrees to recognize New Tenant from and after the date hereof as a party to the Lease and to accept New Tenant's performance thereunder in accordance with the terms thereof. Notwithstanding anything to the contrary contained in the Lease, Landlord hereby agrees that any option to renew or extend the Lease term as set forth in the Lease shall not be terminated as a result of any assignment or transfer of ownership consented to herein, and that New Tenant shall have the right to exercise any such option to renew or extend the Lease term pursuant to the terms set forth in the Lease. Landlord represents and warrants that all consents necessary to be obtained from the holders of any liens on the Leased Premises or, to the extent the Landlord's interest in the property is pursuant to a lease or sublease of the Leased Premises, from any lessor of the Leased Property, have been obtained and that no further consents or approvals are necessary to authorize any assignment or transfer of ownership interest contemplated herein. Landlord further represents and warrants that any assignment to New Tenant of the lessee's interest in the Leased Premises under the Lease shall not cause a default under or be in violation of any lease or sublease to which Landlord or any lessor of Landlord is a party.

5. Modification of Use. The operation of the Leased Premises is currently limited to various uses related to the Ford brand of motor vehicles. Landlord, Current Tenant and New Tenant agree that the use is no longer limited to the Ford brand of motor vehicles and that the Leased Premises may be used for various uses related to Mercedes-Benz, Infiniti and/or Ford brand motor vehicles. All references in the Lease to "Ford" and the manufacturer of Ford motor vehicles are deleted and replaced, as applicable, by "Mercedes-Benz, Infiniti and/or Ford" and the names of the manufacturers of such brands of motor vehicles.

6. Construction / Operation of Business. Landlord, Current Tenant and New Tenant acknowledge that New Tenant intends to alter the current improvements located on the Leased Premises and/or construct new improvements on the Leased Premises. Landlord acknowledges that New Tenant's alteration/construction of improvements will prevent New Tenant from conducting business on the Leased Premises until the alteration/construction process is completed. Landlord and New Tenant agree that any continuous operation requirements in the Lease shall not apply during the period that is no greater than eighteen months (18) from the Effective Date of this Third Amendment to Lease for New Tenant to implement altering/constructing the improvements.

7. Consent to Termination of Sublease. Landlord, Current Tenant and New Tenant acknowledge that that the execution of this Amendment is part of a series of transactions that includes the termination of the Sublease. To the extent Landlord, Current Tenant and New Tenant

are required to consent to the termination of the Sublease, Landlord, Current Tenant and New Tenant consent to the termination of the Sublease.

8. Consent to Termination of Sub-sublease. Landlord, Current Tenant and New Tenant acknowledge that that the execution of this Amendment is part of a series of transactions that includes the termination of the Sub-sublease. To the extent Landlord, Current Tenant and New Tenant are required to consent to the termination of the Sub-sublease, Landlord, Current Tenant and New Tenant consent to the termination of the Sub-sublease.

9. Notices. All notices to be provided to the "tenant" under the Lease shall be directed to New Tenant at the following address:

Carwell, LLC
c/o AutoNation, Inc.
200 SW First Avenue, 14th Floor
Ft. Lauderdale, Florida 33301
Attn: Real Estate Counsel

With a copy to:

Peyton Cramer Ford
c/o AutoNation, Inc.
200 SW First Avenue, 14th Floor
Ft. Lauderdale, Florida 33301
Attn: Real Estate Counsel

10. No Further Modification of Lease. Except as expressly set forth herein, the terms and conditions of the Lease remain unchanged and are in full force and effect. Landlord, Current Tenant and New Tenant hereby ratify and confirm the terms and conditions of the Lease as modified herein.

11. Entire Agreement. This Amendment contains the entire agreement between the parties with respect to the subject matter contained herein. There are no representations, warranties, covenants or agreements concerning the subject matter contained herein except as set forth herein and in the Lease.

12. Conflicts. In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

13. Counterparts / Electronic Signatures. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) instrument. Electronic signatures (facsimile or email) appearing on this Amendment shall be deemed original signatures.

[The remainder of this page is intentionally left blank.
Signatures are on the following page.]

In witness whereof, on the day and year first above written, Landlord and Tenant have duly executed this Amendment.

LANDLORD:

CITY OF TORRANCE,
A Municipal Corporation

By: _____
MAYOR FRANK SCOTTO

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

JOHN L. FELLOWS III,
CITY ATTORNEY

By: _____

Ronald T. Pohl,
Assistant City Attorney

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CURRENT TENANT:

PEYTON CRAMER FORD, a California corporation

By: _____
Name: _____
Title: _____

NEW TENANT:

CARWELL, LLC, a Delaware limited liability
company

By: _____
Name: _____
Title: _____

TERMINATION OF SUBLEASE

THIS TERMINATION OF SUBLEASE (herein called this "Termination") is made as of _____, 2009 by PEYTON CRAMER FORD, a California corporation (herein called "Cramer"), and FORD LEASING DEVELOPMENT COMPANY, a Delaware corporation (herein called "Ford").

W I T N E S S E T H:

WHEREAS, the City of Torrance, California, a municipal corporation (the "City"), as landlord, and Cramer, as tenant, are parties to that certain Lease dated June 1, 1996 (as amended and assigned, the "Lease"), originally between City, as landlord, and Peyton A. Cramer, Trustee of the Peyton A. Cramer and Catherine R. Cramer Living Trust - Separate Property Shares of Peyton A. Cramer, as tenant, with respect to that certain improved real property identified on Exhibit A attached hereto and made a part hereof and commonly known as 3311 Pacific Coast Highway in Torrance, California (the "Leased Premises").

WHEREAS, a Memorandum of Lease with respect to the Lease was recorded in the public records of Los Angeles County, California on April 2, 1997 as instrument number 97 497706.

WHEREAS, another Memorandum of Lease with respect to the Lease was recorded in the public records of Los Angeles County, California on August 13, 1998 as instrument number 98 1430331.

WHEREAS, Cramer, as sublandlord, and Ford, as subtenant, are parties to that certain Lease Agreement (as assigned, the "Sublease"), originally between Peyton A. Cramer, Trustee of the Peyton A. Cramer and Catherine R. Cramer Living Trust - Separate Property Shares of Peyton A. Cramer, as sublandlord, and Ford, as subtenant, dated June 1, 1996 with respect to the Leased Premises.

WHEREAS, a Memorandum of Sublease with respect to the Sublease was recorded in the public records of Los Angeles County, California on April 2, 1997 as instrument number 97 497707.

WHEREAS, Cramer and Ford acknowledge that a Control Period, as defined in the Sublease, was in effect since June 1, 1996 that relieved Ford of obligations to perform and transferred these obligations to Cramer, therefore, Ford neither collected or paid rent during the Control Period.

WHEREAS, Cramer and Ford desire to terminate the Sublease.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and lawful consideration, the receipt and sufficiency of which are acknowledged, Cramer and Ford hereby agree that the Sublease shall be and hereby is terminated and cancelled, and of no further force and effect as of the date hereof.

[The remainder of this page is intentionally left blank.
Signatures and acknowledgements are on the following pages.]

W:\corporate\Legal\Archev\Lease Amendments\South Bay Dealerships - Torrance, CA\Power Ford Torrance - 3311 PCH\Termination of Sublease.doc

IN WITNESS THEREOF, the parties hereto have executed this Termination as of the day and year first above written.

WITNESS:

CRAMER:

PEYTON CRAMER FORD, a California corporation

By _____

Its _____

ALL-PURPOSE ACKNOWLEDGMENT - California

State of _____)

)ss

County of _____)

On _____, 2009 before me,

(name, title of officer), personally appeared _____, [_____] personally known to me -- OR -- [_____] 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 the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

[Ford's Signature and Acknowledgement on Following Page]

EXHIBIT A

DESCRIPTION OF LAND:

Lot 3 of Tract No. 46470 in the City of Torrance, County of Los Angeles, State of California, as per the Map filed in Book 1174, Pages 17 and 18, of Maps in the Office of the County Recorder of said County.

Excepting therefrom the northwesterly 21.00 feet, measured perpendicular to the northwesterly line of said lot.

TERMINATION OF SUB-SUBLEASE

THIS TERMINATION OF SUB-SUBLEASE (herein called this "Termination") is made as of _____, 2009 by PEYTON CRAMER FORD, a California corporation (herein called "Cramer"), and FORD LEASING DEVELOPMENT COMPANY, a Delaware corporation (herein called "Ford").

W I T N E S S E T H:

WHEREAS, the City of Torrance, California, a municipal corporation (the "City"), as landlord, and Cramer, as tenant, are parties to that certain Lease dated June 1, 1996 (as amended and assigned, the "Lease"), originally between City, as landlord, and Peyton A. Cramer, Trustee of the Peyton A. Cramer and Catherine R. Cramer Living Trust - Separate Property Shares of Peyton A. Cramer, as tenant, with respect to that certain improved real property identified on Exhibit A attached hereto and made a part hereof and commonly known as 3311 Pacific Coast Highway in Torrance, California (the "Leased Premises").

WHEREAS, a Memorandum of Lease with respect to the Lease was recorded in the public records of Los Angeles County, California on April 2, 1997 as instrument number 97 497706.

WHEREAS, another Memorandum of Lease with respect to the Lease was recorded in the public records of Los Angeles County, California on August 13, 1998 as instrument number 98 1430331.

WHEREAS, Cramer, as sublandlord, and Ford, as subtenant, are parties to that certain Lease Agreement (as assigned, the "Sublease"), originally between Peyton A. Cramer, Trustee of the Peyton A. Cramer and Catherine R. Cramer Living Trust - Separate Property Shares of Peyton A. Cramer, as sublandlord, and Ford, as subtenant, with respect to the Leased Premises.

WHEREAS, a Memorandum of Sublease with respect to the Sublease was recorded in the public records of Los Angeles County, California as instrument number 97 497707.

WHEREAS, Cramer, as sub-subtenant, and Ford, as sub-sublandlord, are parties to that certain Dealership Sublease dated June 1, 1996 (the "Sub-Sublease") with respect to the Leased Premises, pursuant to which Cramer currently occupies the Leased Premises.

WHEREAS, Cramer and Ford desire to terminate the Sub-Sublease.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and lawful consideration, the receipt and sufficiency of which are acknowledged, Cramer and Ford hereby agree that the Sub-Sublease shall be and hereby is terminated and cancelled, and of no further force and effect as of the date hereof.

[The remainder of this page is intentionally left blank.
Signatures and acknowledgements are on the following pages.]

EXHIBIT A

DESCRIPTION OF LAND:

Lot 3 of Tract No. 46470 in the City of Torrance, County of Los Angeles, State of California, as per the Map filed in Book 1174, Pages 17 and 18, of Maps in the Office of the County Recorder of said County.

Excepting therefrom the northwesterly 21.00 feet, measured perpendicular to the northwesterly line of said lot.