

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

**Members of the Council:**

**SUBJECT:** **City Manager** – Approve Sixth Amendment to Lease with Skypark RPR Associates II, a California limited partnership setting Fair Market rent for the period commencing January 1, 2010.

**RECOMMENDATION**

Recommendation of the City Manager that City Council approve a Sixth Amendment to Lease with Skypark RPR Associates II, a California limited partnership setting a fair market rent for the period commencing January 1, 2010 for a Lease of City-owned property located at 2780 Skypark Drive in the City of Torrance.

**FUNDING**

None required for this action. Approval will increase the base annual rent from \$68,509 to \$163,680 per year.

**BACKGROUND/ANALYSIS**

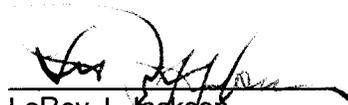
The subject Lease requires a Fair Market Valuation (FMV) to be conducted every ten years, the current FMV is to be implemented in January 2010 and the Lease Amendment before you this evening sets the rent retroactively to January 1, 2010.

An appraisal was conducted in November 2009 which set a valuation of the land at \$18.00 per square foot (psf). Per the Lease, the appraisal only reviewed the value of the land without improvements and utilized the restrictions of the Lease to set value. These restrictions include Federal Aviation limitations on building height.

The subject property is 156,748 square feet. Using a valuation of \$18.00 psf a total land value of \$2,821,464 is set. Using a 10% rate of return the annual rent would be set at \$282,146; however, due to certain requirements in the Lease the lease is capped at no greater than 10% of gross annual rents collected. Using this formula taking the annual gross rent \$1,760,000 and utilizing the Leases allowance for a 7% vacancy factor the new Minimum Basic Rent (MBR) was developed ( $\$1,760,000 \times .93 = 1,636,800 \times .10$ ). The new rental rate was established using a 10% rate of return. The Lease also allows for collection of 10% of the gross rents over the MBR meaning the overall rental structure will not change dramatically as the rent for the gross rents collected will not change dramatically; however, the setting of the MBR at the new rate will enhance the monthly cash flow to the City for this property.

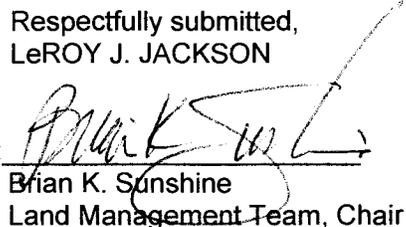
Respectfully submitted,  
LeROY J. JACKSON

CONCUR:



LeRoy J. Jackson  
City Manager

By:



Brian K. Sunshine  
Land Management Team, Chair

Attachment:

A. Sixth Amendment to Lease



RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN  
TO:

SKYPARK RPR ASSOCIATES II  
2780 SKYPARK DRIVE, SUITE  
202 TORRANCE, CA 90505

SIXTH AMENDMENT TO LEASE

This Sixth Amendment to Lease, made and entered into as of the April 27, 2010, with an effective date of January 4, 2010, in the City of Torrance, by and between the City of Torrance, a municipal corporation, as Landlord, and Skypark RPR Associates II, a California limited partnership, as Tenant.

RECITALS:

A. Landlord and Tenant's predecessor in interest entered into a Lease dated January 10, 1989. Landlord and Tenant amended said lease by a First Amendment dated December 27, 1989, a Second Amendment dated March 22, 1993, a Third Amendment dated January 16, 1997, a Fourth Amendment dated June 21, 2005 and a Fifth Amendment dated August 2, 2005. The Lease as so amended is referred to herein as the "Lease". Defined terms herein shall have the same meanings as are set forth in the Lease.

B. Paragraph 3(B) of the Lease provides for a fair market adjustment of the Minimum Basic Rent, effective January 1, 2010.

C. The parties desire to amend the Lease to provide for the adjustment, as hereinafter provided in this Sixth Amendment to Lease.

AGREEMENTS:

1. Paragraph 3(A)(1) is amended to read in its entirety as follows:

“(1) Effective January 1, 2010, for each month or partial month during the term of this Lease, and in addition to the Percentage Rent provided for in Paragraph 4 of this Lease, the sum of \$13,640.00 per month (\$163,680.00 per year) (prorated for any partial month on the basis of a 30-day month), increased annually commencing on the first day of each Lease Year thereafter (except as otherwise provided in Subparagraph B of this Paragraph 3) in accordance with the following procedure:”

2. The person(s) executing this Lease on behalf of the Tenant warrant that (i) the Tenant is duly organized and existing; (ii) they are duly authorized to execute this Lease on behalf of the Tenant; (iii) by so executing this Lease, the Tenant is formally bound to the provisions of this Lease; and (iv) the entering into this Lease does not violate any provision of any other agreement to which the Tenant is bound.

3. In all other respects, the Lease between the Landlord and Tenant is ratified and reaffirmed and is in full force and effect.

IN WITNESS WHEREOF, the City has caused this Sixth Amendment to Lease to be executed by its Mayor and attested by its City Clerk, and Skypark RPR Associates II has caused this Sixth Amendment to Lease to be executed, all as of the date hereinabove set forth.

LANDLORD

TENANT

CITY OF TORRANCE  
a Municipal Corporation

SKYPARK RPR ASSOCIATES II,  
a California Limited Partnership

By: Airport Atrium Corp,  
a California Corporation

\_\_\_\_\_  
Frank Scotto, Mayor

By: \_\_\_\_\_  
Donald Barclay  
President

ATTEST:

\_\_\_\_\_  
Sue Herbers  
City Clerk

APPROVED AS TO FORM:  
JOHN L. FELLOWS III  
City Attorney

By: \_\_\_\_\_