

## **ADK&A SELECTED QUALIFICATIONS IN GROUND LEASING**

### **County of Los Angeles, Chief Administrative Office** ***Long-term Asset Management Consulting***

Beginning in 1984 and continuing intermittently through the present, ADK&A has been an advisor to the Chief Administrative Office of the County of Los Angeles in connection with the planning and disposition of surplus and underutilized properties. Services to the County have included participation in initial market assessment and physical planning concepts, development of focused asset management strategies, preparation of Requests for Proposals, evaluation of proposals, developer selection, ground lease and other disposition negotiations. Properties have ranged in size from a few acres to as much as 150 acres with uses ranging from office buildings, retail developments, industrial uses and medium- to large-scale mixed-use development. ADK&A has not only been involved in initiating major transactions but also in managing them and monitoring them in large multi-phased developments where requirements have changed over time.

### **Los Angeles County Department of Beaches and Harbors** ***Financial, Economic and Advisory Services***

Beginning in 1985, ADK&A has been a primary financial advisor to the Los Angeles County Department of Beaches and Harbors. This department manages the largest single anchorage on the West Coast with over 5,000 slips, almost 6,000 apartments, six hotels and several hundred thousand square feet of commercial and office space. After over a decade of active participation in ground lease negotiations, extension negotiations and general planning, ADK&A participated actively in the development of the Asset Management Strategy (AMS) for the County, which lays out long-term goals, near-term guidelines and leasing policies for lease extension and recycle development. Throughout this period of time, ADK&A has dealt extensively with many of Southern California's major retail, housing and hotel developers on behalf of the County either in connection with renegotiating lease terms, soliciting new proposals for second-generation development or negotiating lease extensions. Specific services have included RFP preparation, financial modeling, developer selection, ground lease negotiation and ground lease monitoring.

### **City and Redevelopment Agency of Cerritos** ***Asset Disposition Strategy, Developer Selection, Ground Lease Negotiation and Monitoring***

Since 1985, ADK&A has been retained to evaluate a series of master development and regional retail development proposals for a 120-acre strategic site adjoining the Civic Center and a major freeway in Cerritos. The integration of the various development elements, the evaluation of financial benefits to the city, and the relative experience and financial resources of the proposers were evaluated by ADK&A. ADK&A also was retained to assist in the negotiation of the lease agreement and the development and disposition agreement. This assignment spanned more than 12 years and involved continuing analysis and negotiation of office and retail transactions on more than ten major projects.

## **Port of Los Angeles**

### ***Attraction and Selection of Master Developer for Commercial Property***

In 1994 the Port of Los Angeles completed an evaluation and study of its undeveloped commercial properties with a blue-ribbon citizen task force. The Port subsequently retained ADK&A for development of a Request for Qualifications and a Request for Proposals, to attract a master developer for almost 120 acres of prime waterfront commercial property, including marina facilities, prospective hotel and retail development, and other visitor-serving activities. ADK&A focused on the need to reposition the Port's image as a commercial center, while attracting good developers within the context of an unsubordinated ground lease, as mandated by state law.

## **Port of Los Angeles**

### ***Analysis of Strategy for Nonperforming Hotel Lease***

In the 1980s the Port of Los Angeles executed a ground lease with a local owner/developer for the development and operation of a major DoubleTree Hotel. Due to a combination of higher-than-expected initial costs and major weaknesses in the hotel market, the project was unable to service its construction loan and was in arrears on its lease payments. After an earlier restructuring in the early 1990s, the project continued to have problems of low occupancy compounded by excess debt. ADK&A advised the Port Property Management Group as to alternative techniques for modifying the lease to facilitate a possible workout if lender and tenant were willing to make certain commitments. Several strategies were evaluated, and a recommended strategy was advanced and approved by the board, but lack of capital or commitment by the lessee prevented its ultimate implementation.

## **City of Redondo Beach Harbor Department**

### ***King Harbor Lease Evaluation***

ADK&A assisted the City of Redondo Beach in evaluating the value of its master leases for the city-owned King Harbor marina complex. This evaluation included historical analysis of the revenue generated and rent paid by each of the 16 master leases since 1970, and alternative projections of revenue growth and city rents into the future. Based on alternative levels of sales and city revenues, ADK&A made specific recommendations on changes in the structure of the master leases.

## **Channel Islands Harbor Department**

### ***Channel Islands Harbor Master Plan***

In conjunction with a land planner, ADK&A developed a Master Plan for second-generation redevelopment and lease extension for the Channel Islands Harbor Department. This included an analysis of potential new uses, analysis of the projected ground rent with and without the Master Plan implementation, review of the structure of the ground leases in the harbor, and coordination of the development and presentation of the Master Plan to the lessees, the department staff, City and County officials, neighborhood groups and other interested parties.

## **Ventura County**

### ***Channel Islands Harbor Leasing Analysis***

ADK&A was retained by Ventura County for its administration of the Channel Islands Harbor. In its capacity as financial advisor to the director, ADK&A has been involved in many issues with individual lessees and leaseholds, including condominium conversion projects, potential bankruptcies, negotiations for various forms of temporary assistance in terms of deferral of ground rent, lease extensions, including redevelopment of existing improvement. ADK&A's experience with other harbor leasehold properties and its experience in consulting for private sector lessees has allowed it to assist the County in creating agreements that are financially realistic for the lessee but preserve the County's financial interest and long-term benefits from its leaseholds.

## **City of Stockton**

### ***Marina Redevelopment Feasibility Analysis***

In Stockton the issue was a deteriorated in-city marina for which a redevelopment program needed to be defined and its financial feasibility established. ADK&A, in collaboration with a marine engineering and planning firm, evolved the plan and specifically analyzed alternative operation and ownership options ranging from concession lease to ground lease and dealing with alternative government entities as the lessor, e.g. the City, the California Redevelopment Agency or a Port District.

## **Los Angeles County MTA**

### ***Willow Street Station Retail Ground Lease***

ADK&A was retained to assist the Los Angeles County Metropolitan Transit Authority (MTA) in negotiating ground lease terms for a 130,000-square-foot retail development on land owned by the MTA and the Long Beach Redevelopment Agency adjacent to the Willow Street MTA Station. The development included a 500-car parking structure to accommodate transit station parking. Ground lease terms had to meet three tests: to make the project economically feasible for the prospective developer, to meet various fiscal requirements of the Long Beach Redevelopment Agency, and to provide the MTA with a reasonable return on its investment in land acquisition. The analysis involved modeling a variety of ground rent payment structures for the developer in combination with different formulas for the sharing of ground rent revenues between the MTA and the redevelopment agency.

## **Cal State Northridge**

### ***Ground Lease***

ADK&A participated in one of the most innovative and imaginative reuses of surplus college property to take place recently in Southern California. California State University at Northridge (CSUN) had, for many years, been seeking a ground lease tenant for a large site at the north end of the campus for which there was no imminent academic use. After an unsuccessful attempt to get a shopping center development at that location approved in the entitlement process, the University, with the assistance of ADK&A, negotiated an innovative long-term ground lease

with Mini-Med, a major bio-medical manufacturing company that had experienced very rapid growth and was located in the San Fernando Valley. Mini-Med was seeking an expansion site and it appeared that it would have to leave the City. With the active cooperation of the Mayor's Economic Development team and the University, a very quick turn around ground lease negotiation was undertaken in which an 80-year ground lease was developed. Special features of the ground lease that ADK&A helped evolve include special training programs for University students, joint use of meeting, kitchen and audio-visual facilities constructed by the University, and specialized lease terms that allowed Mini-Med to achieve its near term cost objectives and assured that the University got full market value for the property over the full term of the lease.

### **City of Santa Clara**

#### ***Bankruptcy of Publicly Owned Property***

The City of Santa Clara developed a project called Techmart, a retail/wholesale market center, under an unsubordinated ground lease. The concept never met with significant market acceptance and, when the developer declared bankruptcy, the city was faced with a series of problems, including recovery of unpaid and delinquent assessments, analysis of various developer proposals in order to keep the building together, and dealing with the lender's requirements. ADK&A developed an independent analysis of the value of the property, reviewed new proposals for the property in terms of their implications for the city, and responded to various allegations and representations made both in negotiations and in litigation with respect to inappropriate economic behavior by the city. ADK&A's services included financial modeling, litigation support, negotiation support, proposal analysis, and leasehold and land valuation.