

## **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. Most recently ADK&A has assisted with the ground lease for the Marriott Residence Inn and Courtyard complex, the first new hotels in the Marina in almost thirty years.

### **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.

**City of Malibu**

***Ground Lease for the Malibu Lumberyard, an Upscale Retail Center***

ADK&A was retained by the City of Malibu for RFP preparation, Developer Solicitation, Developer Selection and Ground Lease Negotiation for a very high end retail center built on the site---and keeping the name of---the old Malibu Lumberyard which the City had acquired as part of a larger park site acquisition. The developer selection and negotiation process were complicated by the City's desire for cutting edge design, avoidance of additional concentration of retail ownership in the area, and, most particularly, the requirement that notwithstanding very high proposed rents the developer would agree to accommodate a portion of local merchants at lower rates.

**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.

**Ventura Port District**

***Multiple Lease negotiations***

Beginning in 1990's ADK&A advised the District on a variety of existing and new ground and water leases, most notably a major new project to be known as Portside with 270 apartment units and over 100 new slips. This project, which started in the year 2000, just broke ground in 2016.

**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 (METRO)**  
***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 their first joint development project, 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. Since then, ADK&A has performed a variety of consulting assignments on proposed ground leases, most recently a most ambitious and subsequently effort to build a mixed-use project of an almost a million square feet above the bus maintenance facility in West Hollywood.

**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.