



**AGENDA NO: CS PC**

**MEETING DATE: April 11, 2023**

**AGENDA CORRESPONDENCE  
RECEIVED BY THE CITY COUNCIL FOR  
PUBLIC REVIEW PRIOR TO THE MEETING**

# MMBS, LLC

## Morro Bay Landing

April 7, 2023

Madam Mayor and Members of the City Council  
City of Morro Bay  
595 Harbor Street  
Morro Bay, CA. 93442

Re: Tidelands Trust Lease Negotiations

I understand that the City Council is in discussions regarding the City's Lease Policy with some existing master leaseholders. I thought I might be able to provide some additional perspective because I was a participant on the Lease Policy Committee and because I am a lease holder on the Embarcadero.

In the Lease Policy Committee discussions with regard to what City's policy should be with expiring leases, the consensus opinion of the committee was that the best outcome for the City from a business standpoint was to encourage the existing master tenant to renew or extend the term of their lease. This is evident for a number of reasons:

1. The time and expense on the part of the landlord in securing a new tenant can be quite onerous. Having an existing tenant renew is almost always the most economical route for a landlord, providing the landlord with an uninterrupted stream of income. And especially so for the City given the City's difficult and time consuming RFP process.
2. An existing master tenant is intimately familiar with the property and the circumstances of the Tidelands Trust leases. These are not typical real estate transactions. Having the financial knowledge and experience, especially when it comes to financing the leasehold and leasehold improvements, is a real asset brought to the transaction by the existing master tenant.
3. There is nothing inherently wrong with valuing an established business relationship. If you have a master tenant who has complied with the terms of the existing lease for many years then it is normal and usual to expect that behavior and relationship to continue. In fact, it is a desirable outcome as opposed to entering into a new relationship where there is no track record with which to judge.
4. If the existing master tenant has an expectation of renewing his lease he will be motivated to continue to maintain the property to the highest standards through the end of the lease term.

This is why the Lease Policy Committee put a lot of work into section I 3. of the Lease Policy and why you will find it to be much more detailed than the other two options discussed in this

1215 Embarcadero, Morro Bay, CA 93442

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section. The policy requires that the current tenant make his intention to extend or renew known to the City no less than 5 years prior to the expiration of the current lease. Given the long lead time for a redevelopment proposal to be considered by the City and the Coastal Commission the members of the committee felt that an early start to the process was essential in order to see the project materialize with as little interruption to the revenue from the lease site as possible and, if the negotiations failed, enough time would be left to go out to RFP.

Over the last three years we have had the unusual Covid situation that has hindered much of our normal business activity, both on the side of the business as well as the City's staff responses. Please let that also be a consideration as you look at today's proposal(s).

I have been a staunch advocate for the City to treat the Tidelands Trust properties as a business asset of the City. I understand the pressure put upon the Council Members by members of the public that see the negotiations and dealings with the waterfront businesses as political or politically motivated. That is unfortunate and I think it results from their misunderstanding or lack of knowledge of the complicated business transaction that these Tidelands Trust leases are.

I hope the Council Members can resist that pressure and make the best business decision possible.

Sincerely,

  
Bob Fowler  
Morro Bay Landing  
MMBS, LLC



**AGENDA NO: CS5**

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## Heather Goodwin

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**From:** Jeffrey Heller [REDACTED]  
**Sent:** Saturday, April 8, 2023 3:38 PM  
**To:** Council  
**Subject:** Agenda Correspondence - City Council Closed Session 4/11/23-Item CS-5

**CAUTION:** This is an external email. Please take care when clicking links or opening attachments.

Dear Council

I am not sure why Brady Lock (City employee?) is representing the property owner in this closed session item.

Please explain.

Thank you  
Jeff Heller  
[REDACTED]