

0150-12408-0000

**T R A N S M I T T A L**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 10/27/2023	COUNCIL FILE
FROM The Mayor		COUNCIL DISTRICT 15

**RESOLUTION NO. 23-10165 AND PROPOSED PERMIT NO. 960 BETWEEN THE HARBOR DEPARTMENT AND THE CABRILLO BEACH YACHT CLUB FOR OPERATION OF A YACHT CLUB, RECREATIONAL MARINA AND YOUTH SAILING PROGRAM AT 211 W. 22<sup>nd</sup> STREET, SAN PEDRO**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.



MAYOR

(Chris Thompson for)

Attachment  
MWS:PJH/JVW:SHF:JFH:10240025t

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: October 4, 2023

CAO File No. 0150-12408-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Harbor Department dated April 27, 2023; referred by the Mayor for report on June 7, 2023

Subject: **RESOLUTION NO. 23-10165 AND PROPOSED PERMIT NO. 960 BETWEEN THE HARBOR DEPARTMENT AND THE CABRILLO BEACH YACHT CLUB FOR THE OPERATION OF A YACHT CLUB, RECREATIONAL MARINA AND YOUTH SAILING PROGRAM AT 211 W. 22<sup>nd</sup> STREET, SAN PEDRO**

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**RECOMMENDATIONS**

That the Mayor:

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10165 authorizing approval of Permit No. 960 with the Cabrillo Beach Yacht Club which increases the minimum annual rent paid by \$15,977.04 from \$262,926.24 to \$278,903.28 for operation of a yacht club, recreational marina and youth sailing program, for a 30-year term, subject to 5-year compensation resets and changes in the Consumer Price Index;
2. Adopt the April 27, 2023 Board of Harbor Commissioners finding that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Section Class 1(14) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Director, or designee, to execute the proposed agreement, already approved as to form by the City Attorney, and return the Resolution documents to the Port for further processing, including Council consideration.

**SUMMARY**

On April 27, 2023, the Board of Harbor Commissioners (Board) adopted Resolution No. 23-10165 authorizing approval of proposed successor Permit No. 960 to Concession Agreement No. CA-517 (CA-517) with the Cabrillo Beach Yacht Club (CBYC) for a 30-year term for use of City of Los Angeles Harbor Department (Department, Port) property located at 211 W. 22<sup>nd</sup> Street, San Pedro. Attachment 1 includes the Department's April 12, 2023, Board Report, Board Resolution No. 23-10165 and proposed Permit No. 960.

Under the new permit, the CBYC proposes additional investments in the premises for operation, maintenance, and construction of structures and facilities for berthing and dry storage of pleasure

craft, an anchorage office and restrooms, vessel sewage pump out, a yacht club center, sale of marine hardware, supplies and equipment, sundry items, refreshment and soft drinks, vessel brokerage, and for incidental purposes. The total amount of the proposed tenant improvements is \$805,000.

Permit No. 960 also adds Harbor Department Parcel No. 7, consisting of 18,672 square feet of property adjacent to CYBC's existing premises to the permitted area and increases annual rent by \$15,997.04 or 6.1 percent from \$262,926.24 to \$278,903.28

The proposed agreement has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative permit term exceeds five years. Our Office has reviewed the request and recommends approval.

## **BACKGROUND**

*Original and Amended Agreement* - The CBYC was granted its current Concession Agreement CA-517 for a term commencing on May 21, 1986 for 30 years ending on May, 20, 2016. A Third Amendment to CA-517 was approved by the City Council at its meeting of August 19, 1998. The Third Amendment granted an increase in land and water area included in the agreement for purposes of constructing a dry recreational boat storage area, a boat launch/retrieval facility and creating a youth sailing program. Among the changes, the Third Amendment also included a 12-year extension of the agreement from May, 20, 2016, to September 23, 2028. The Department indicates that the extension was granted in recognition of the project construction costs financed by the CBYC and the services provided by the yacht club to the Cabrillo Marina and the boating community.

The Harbor Department now proposes that Permit No. 960 be issued to CBYC as a successor to CA-517 with a new term of 30 years to facilitate continued investments in tenant improvements to the premises. The new term is subject to both annual Consumer Price Index (CPI) adjustments and 5-year compensation resets. The Department indicates that the CBYC's request for a new and extended permit together with early termination of the existing concession agreement is consistent with the Port's Leasing Guidelines. The leasing Guidelines encourage such an extension or new lease during the term of an existing lease if it supports the tenant's ability to reinvest in the asset to meet market demands as is the case with CYBC's current proposal.

*Increased Rent Revenue and Tenant Improvements* - Successor Permit No. 960 increases the CBYC's annual minimum rent by \$15,977.04 from \$262,926.24 to \$278,903.28 or 6.1 percent. Rent will increase annually by the greater of zero percent or the annual change in the CPI. Pursuant to Charter Section 607, on the fifth anniversary of the permit's effective date, annual minimum rent will be adjusted to reflect the fair market rental value for the premises, however, in no case will the minimum rent be adjusted downward. The CBYC will continue to pay percentage rent ranging from five to 25 percent of gross income based on income category. The Department indicates that the proposed increase in minimum rent is based upon an analysis indicating that CBYC rents have been 6.1 percent below market.

On April 27, 2023, the Board considered the Department’s April 12, 2023 report and approved the permit. The additional improvements proposed by the CBYC listed in the table below currently have a minimum estimate of \$805,000.

<b>Table 1: CBYC Contract - Additional Scope and Cost</b>	
Additional Scope Item	Cost
Modernize Elevator	\$95,000
Modernize Fire Alarm Controls	\$20,000
Professional Dock Survey	\$40,000
Galley Modernization	\$50,000
Concept Study Sail Training Center	\$100,000
Community Sailing Program Infrastructure	\$50,000
Landing Building Improvements	\$50,000
Painting Outside of Building	\$100,000
Restroom Remodel	\$100,000
Remodel Bar	\$100,000
Roof Replacement	\$100,000
<b>Total Proposed Investment</b>	<b>\$805,000</b>

Under proposed Permit No. 960, the CBYC will also take possession of Harbor Department Parcel No, 7 consisting of 18,672 square feet of property adjacent to CYBC’s existing premises under CA-517. The Department indicates that the incorporation of this parcel in Permit No. 960 will relieve the Port of ongoing expenses associated with maintenance of the hillside, gazebo and stairway located within Parcel No. 7. Adding Parcel No. 7 to the permit area increases the total land and water occupied by the CBYC from 403,909 square feet to 422,581 square feet.

Attachment 2 provides an overview of significant provisions of proposed Permit No. 960 between the Port and the CBYC.

**CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – The approval of proposed Permit No. 960 is for the operation of a yacht club, recreational marina, and youth sailing program, involving negligible expansion of use of an existing facility. The Harbor Department’s Director of Environmental Management has therefore determined that the proposed action is categorically exempt from the

requirements of the CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

The proposed new Permit has been approved as to form by the City Attorney. Pursuant to Charter Section 606 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative permit term exceeds three years. Our Office recommends approval.

## **FISCAL IMPACT STATEMENT**

Approval of proposed Permit No. 960 between the Harbor Department and the Cabrillo Beach Yacht Club (CBYC) will result in minimum annual rent of \$278,903.28 which represents an increase of \$15,977.04 or 6.1 percent over the \$262,926.24 paid under current Concession Agreement No. CA-517. Rent will increase annually by the greater of zero percent or the annual change in the CPI. Pursuant to Charter Section 607, on the fifth anniversary of the permit's effective date, annual minimum rent will be adjusted to reflect the fair market rental value for the premises, however, in no case will the minimum rent be adjusted downward. The CBYC will continue to pay percentage rent ranging from 5-25 percent of gross income based on income category. The recommendations in this report comply with the Harbor Department's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – April 27, 2023 Harbor Board Report, Resolution 23-10165; Permit No. 960 between the Harbor Department and the Cabrillo Beach Yacht Club

Attachment 2 – Overview of significant the provisions of Permit No. 960 with the Cabrillo Beach Yacht Club

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