

May 26, 2022


AMBER M. KLESGES
Board Secretary



Executive Director's

Report to the
Board of Harbor Commissioners

#3
5/26/22
DATE: MAY 10, 2022

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. 22-10002 – APPROVE FOURTH AMENDMENT TO
LEASE NO. 915 WITH SAN PEDRO PUBLIC MARKET, LLC**

SUMMARY:

Staff requests approval of the proposed Fourth Amendment to Lease No. 915 (Lease) between the City of Los Angeles Harbor Department (Harbor Department) and San Pedro Public Market, LLC (SPPM). The proposed Fourth Amendment will extend the 4th Option Extension Period to July 16, 2022 and allow the Executive Director to further extend the 4th Option Extension Period to a date no later than September 17, 2022.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Fourth Amendment to Lease No. 915 with San Pedro Public Market, LLC;
3. Direct the Board Secretary to transmit the Fourth Amendment to Lease No. 915 to the City Council pursuant to Charter Section 607;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Fourth Amendment to Lease No. 915 upon approval by City Council; and
5. Adopt Resolution No. 22-10002

DISCUSSION:

Background - On May 16, 2016, the Board approved the Lease with SPPM for the redevelopment of the site formerly known as Ports O' Call in San Pedro. The Los Angeles City Council (City Council) subsequently approved the Lease on June 10, 2016. This will be the first comprehensive redevelopment of the approximately 40-acre site since its original development in the 1960s.

In November 2019, the Board approved the First Amendment to the Lease amending the term to 66 years and adjusting the option period to 48 months, during which time SPPM worked on updating the project design, securing financing, and soliciting tenants while the Harbor Department and SPPM continued site preparation for the development. The First Amendment also modified provisions related to development elements, design, plans, timing, and phasing of the overall project.

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In November 2020, the Board approved the Second Amendment to the Lease, amending various Lease provisions to extend the Option Period, providing definitions and processes for delivering Substantial Completion Notices and Delivery Notices, clarifying the primary electrical service delivery condition and responsible parties for initiation of work required to meet this condition, and deleting language creating financial liabilities for each party, as both parties had met respective investment and construction obligations.

In December 2021, the Board approved the Third Amendment to the Lease, amending various Lease provisions, including the approval of a new fourth option period that extends the overall Option Period to June 16, 2022. The Third Amendment included a requirement that SPPM complete the following five financing milestones by April 15, 2022 (Milestones Completion Date). As provided for in Section 1. Article 1, Section 1.2.1 (d) of the Third Amendment to Lease 915, on April 4, 2022, SPPM submitted a letter to the Harbor Department to request extension of the Milestones Completion Date to June 16, 2022. On April 14, 2022, the extension was granted following review of SPPM's commercially reasonable efforts to secure financing.

Under the proposed Fourth Amendment, the Milestones Completion Date and 4th Option Extension Period shall be extended to July 16, 2022 and the Executive Director may further extend the Milestones Completion Date and the 4th Option Extension Period to a date no later than September 17, 2022. In the event Lessee completes the Financing Milestones prior to September 17, 2022, Lessee may choose to exercise its Option prior to 4th Option Extension expiration date of September 17, 2022. SPPM has completed Milestones 1 through 3 of the five (5) Financing Milestones. The extension of the Milestones Completion Date and the 4th Option Extension Period will provide sufficient time to close debt financing thereby completing all 5 Financing Milestones and allow for necessary time for the Harbor Department and if necessary, City Council, to approve consent documents required by selected lenders.

Staff recommends the Board approve the Fourth Amendment to the Lease extending the Fourth Option Period and the Milestones Completion Date to a date no later than September 17, 2022.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Fourth Amendment to Lease No. 915, which is an activity for which the underlying project has been previously assessed in the San Pedro Waterfront Project Environmental Impact Report (SPW EIR) (SCH# 2005061041), which was certified by the Board on September 29, 2009, the Addendum to the SPW EIR for the San Pedro Public Market Project considered by the Board on May 19, 2016, and the Addendum to the SPW EIR for the San Pedro Public Market 2 considered by the Board on November 21, 2019. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

The changes proposed under the Fourth Amendment serve to extend the Milestones Completion Date and the 4th Option Extension Period, which are largely administrative in nature. This action is not anticipated to have an additional financial impact on the Harbor Department.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Fourth Amendment as to form and legality.

TRANSMITTAL:

1. Fourth Amendment

Michael J. Galvin
MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: *MB*
CA Approval: *JC*

Antonio V. Gioiello
ANTONIO V. GIOIELLO, P.E.
Deputy Executive Director

APPROVED:

Marla Blewins For

EUGENE D. SEROKA
Executive Director

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BL927raw SPPM 4th Amendment