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RECOMMENDATION APPROVED;
RESOLUTION 25-10550 (LEASE 915) ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS

May 22, 2025

AM KLESGES
AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 8, 2025

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 25-10550 – APPROVE EIGHTH AMENDMENT TO
LEASE NO. 915 WITH SAN PEDRO PUBLIC MARKET, LLC

SUMMARY:

Staff requests approval of the Eighth Amendment to Lease No. 915 (Lease) and consent to an assignment for security purposes to a leasehold mortgagee (Consent) for Lease No. 915 between the City of Los Angeles Harbor Department (Harbor Department) and San Pedro Public Market LLC (SPPM). The leasehold mortgage proposed for Consent is between SPPM and Bayview Asset Management LLC (Bayview).

The Lease is a 66-year agreement with SPPM for the commercial redevelopment of the site formerly known as Ports O' Call in San Pedro. SPPM is required to secure financing as part of its obligations under the Lease. In November 2024, SPPM refinanced and upsized their senior construction loan in favor of a new loan with Oceanview Commercial Mortgage Finance, LLC (Oceanview) for \$61.5 million. This new loan has a provision allowing up to \$10 million of the senior construction loan to be replaced with a Commercial Property Assessed Clean Energy (C-PACE) loan with benefits of a longer term and lower interest rate. The proposed C-PACE loan will be with Bayview, a subsidiary of Oceanview.

In addition to the proposed consent to the new Bayview C-PACE loan, the Eighth Amendment proposes to 1) authorize the Executive Director to sign the consenting documents required to close the contemplated C-PACE loan with Bayview; 2) provide the Board with conditional delegated authority to approve future requests for Consent without further action of the Los Angeles City Council (City Council); 3) update Section 5.1 Permitted Uses to reflect updated entitlement documents; and 4) replace Exhibit Q with a new form of Non-disturbance and Attornment Agreement.

The proposed Eighth Amendment is not anticipated to have a financial impact on the Harbor Department.

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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 Eighth Amendment to Lease No. 915 with San Pedro Public Market, LLC;
3. Direct the Board Secretary to transmit the Eighth Amendment to Lease No. 915 to the City Council pursuant to Charter Section 607;
4. Approve the revised Exhibit Q template entitled Non-Disturbance and Attornment Agreement and authorize the Executive Director to enter into the Non-Disturbance and Attornment Agreement on the approved template;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Eighth Amendment to Lease No. 915 upon approval by City Council;
6. Authorize the Executive Director to execute and the Board Secretary to attest to the Assessment Contract and the Consent and Agreement to the Levy of a Contractual Assessment upon approval of the Eight Amendment by City Council; and
7. Adopt Resolution No. 25-10550.

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. 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.

From November 2019 to November 2024, the Lease was amended seven times for various reasons but primarily to address project schedule, financing milestones/ occurrences and adjustments to each party's construction obligations. SPPM closed initial financing in November 2022 and project construction commenced in the first quarter of 2023. In November 2022, SPPM secured \$90M in third-party financing for the construction of buildings 1A and 1B, as well as the southern open space from two lenders: Petros PACE Finance (\$55M) and Parkview Financial REIT (Parkview) (\$35M). In November of 2024, the Board approved the Seventh Amendment to Lease No. 915 and consent to an assignment for security purposes to refinance their senior construction loan with Parkview (\$35M) in favor of a new senior construction loan with Oceanview increasing the loan to \$61.5 million including a future opportunity to replace up to \$10 million with C-PACE financing through Bayview.

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Proposed Financing Transaction - The proposed Eighth Amendment authorizes the Executive Director to execute the Assessment Contract and the Consent and Agreement to the Levy of a Contractual Assessment (Exhibit N-4).

The proposed transaction will require a current estoppel certificate to be executed by the Executive Director prior to closing of the \$10 million C-PACE loan. The Lease contemplates issuance of an estoppel certificate in response to a request by any party in an agreed form. An estoppel certificate is a document that verifies certain statements of fact which are relied upon by parties as part of completing a financing or other transfer transaction. The Lease includes the form of estoppel certificate, and the Executive Director is delegated the authority to approve the final estoppel certificate provided there is no material difference from the form approved by the Board.

Further, Lease No. 915 requires that the Lessee's loan contains the following conditions: a) Monies borrowed must be in a fixed amount. New borrowings or refinancings require further Board approval. b) The collateral covered by the security instrument shall cover only Lessee's leasehold interest and interest in the Lessee's Improvements on the Premises, not the interests of City Improvements. c) Nothing in the instrument which creates the security interest in the Leasehold Mortgagee shall amend, modify or otherwise affect the rights of City under this Lease or any guaranty.

The Bayview C-PACE loan conditions have been confirmed to meet the above conditions based on the Harbor Department's review of the draft Assessment Contract, Notice of Assessment and Consent and Agreement to the Levy of a Contractual Assessment. The terms provided below represent the preliminary terms reviewed as of May 8, 2025 which shall not substantially change prior to the closing of this loan.

The Bayview C-PACE loan is provided through bond financing where improvement bonds are issued through the California Statewide Communities Development Authority and are repaid as an assessment levied against the leasehold interest. The Bayview financing represents a subordinate loan with project direct funding in the amount of \$10,000,000 with a primary term of 30 years, or the useful life of the PACE-eligible improvements. Bayview was initially founded in 1993 and is headquartered in Coral Gables, Florida, with additional asset management offices in New York, London, Geneva, and Luxembourg, and loan servicing and origination affiliates in seven U.S. states and Milan, Italy. As of December 2024, Bayview's fund managed \$20.2 billion in assets.

The C-PACE program is enabled by state and local legislation, allowing private lenders to provide financing for project elements that improve building energy performance. C-PACE is a relatively new and quickly growing alternative financing mechanism that makes it possible for owners and developers of commercial properties to obtain low-cost, long-term financing for energy efficiency, water efficiency and renewable energy development projects. This loan is subordinate to the existing Oceanview senior construction loan and Petros PACE financing.

Additional Terms – Additional revisions proposed through the Eighth Amendment include the following:

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1. Provide the Board with conditional delegated authority to approve future requests for consent to assignments for security purposes without further action of City Council as described in Lease Section 15.8.2, Assignments for Security Purposes After Exercise of Option Period. This revision is required to provide predictable timeframes for routine refinancing transactions to occur conditioned on the consenting documents being substantively in the form of Exhibit N.
2. An updated Exhibit Q, Non-Disturbance and Attornment Agreement:

The Non-Disturbance and Attornment Agreement previously approved as Exhibit Q through the Sixth Amendment to the Lease, establishes rights, obligations and protections of lessor, lessee, subtenants and lending institutions. This exhibit provides an established template agreement for subtenants who propose substantial investment in the premises that require security if the Lease is terminated, which is beneficial to both SPPM's leasehold interest and the Harbor Department's land. The proposed Non-Disturbance and Attornment Agreement template provides that if SPPM's Lease with the Harbor Department is terminated and if sublessee is not in default under its sublease, the Harbor Department will not disturb sublessee's possession of their subleased space and the Harbor Department will continue to allow sublessee to own and operate on the premises for the remaining term of the sublease. The Executive Director is proposed to have the authority to enter into the Non-Disturbance and Attornment Agreement(s) unless there is a material deviation from the approved template.

SPPM's new senior construction loan lender, Oceanview, has requested various revisions to Exhibit Q which are incorporated into the new proposed Exhibit Q template.

3. Section 5.1 Permitted Uses will be revised to reflect allowance for uses prescribed in the most updated entitlement documents including:
 - a. Addendum to 2009 San Pedro Waterfront EIR/EIS approved by Board in May 2016
 - b. Second Addendum to 2016 and 2020 Addenda to the 2009 EIR/EIS approved by Board in November 2019

Staff recommends the Board approve the Eighth Amendment to the Lease and authorize the Executive Director to approve and execute the consenting documents which will facilitate SPPM securing \$10 million in C-PACE financing with Bayview.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Eighth 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

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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.

FINANCIAL IMPACT:

The changes proposed under the Eighth Amendment are administrative in nature. The Amendment is not anticipated to have an additional financial impact on the Harbor Department.

CITY ATTORNEY:

The proposed Eighth Amendment has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTAL:

1. Eighth Amendment

FIS Approval: JS
CA Approval: SO

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Director of Waterfront & Commercial Real Estate

Dina Aryan-Zahlan
DINA ARYAN-ZAHLAN, P.E.
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APPROVED:

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