

TRANSMITTAL			0150-12816-0000
TO Eugene D. Seroka, Executive Director Harbor Department		DATE 11/18/2024	COUNCIL FILE NO.
FROM The Mayor			COUNCIL DISTRICT 15
<p>RESOLUTION NO. 24-10442 AND PROPOSED SIXTH AMENDMENT TO LEASE NO. 915 WITH SAN PEDRO PUBLIC MARKET, LLC TO MODIFY VARIOUS LEASE PROVISIONS AND ADJUST HARBOR DEPARTMENT COSTS IN THE REDEVELOPMENT OF THE SITE FORMERLY KNOWN AS PORTS O' CALL ALONG THE SAN PEDRO WATERFRONT</p> <p>Transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: center;"> MAYOR</p> <p style="text-align: center;">(Carolyn Webb de Macias for)</p> <p>Attachment MWS/PJH/JVW:JAS:10250100t</p>			

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 30, 2024

CAO File No. 0150-12816-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Harbor Department dated October 3, 2024; Resolution No. 24-10442 from the Board of Harbor Commissioners adopted at its October 3, 2024 meeting; referred by the Mayor for a report on October 4, 2024

Subject: **RESOLUTION NO. 24-10442 AND PROPOSED SIXTH AMENDMENT TO LEASE NO. 915 WITH SAN PEDRO PUBLIC MARKET, LLC TO MODIFY VARIOUS LEASE PROVISIONS AND ADJUST HARBOR DEPARTMENT COSTS IN THE REDEVELOPMENT OF THE SITE FORMERLY KNOWN AS PORTS O' CALL ALONG THE SAN PEDRO WATERFRONT**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 24-10442 authorizing the proposed Sixth Amendment to Lease No. 915 with the San Pedro Public Market, LLC to modify various lease provisions and adjust costs to the Harbor Department in the redevelopment of the site formerly known as Ports O' Call along the San Pedro waterfront;
2. Adopt the October 3, 2024 Board of Harbor Commissioners findings that the proposed action is administratively exempt from the requirements of California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Harbor Department Executive Director, or designee, to execute the proposed Amendment, already approved as to form by the City Attorney, and return the Resolution to the Harbor Department for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its October 3, 2024 Resolution No. 24-10442 (Attachment 1) which authorizes the approval of the proposed Sixth Amendment to Lease No. 915 (Amendment) between the Los Angeles Harbor Department (Harbor Department) and the San Pedro Public Market, LLC (SPPM). The proposed Amendment will make changes to various terms in Lease No. 915 (Lease). Updated terms include revising

delivery notice details, adding language pertaining to reimbursements for unforeseen conditions during construction, approving a one-time payment for previous eligible reimbursements, updating costs for completed City improvements, and adding exhibits for gross receipts reporting and a non-disturbance and attornment agreement.

Through the Amendment, the Harbor Department will be financially responsible for up to \$1,982,550.11 in reimbursements to SPPM for the removal and handling of unforeseen conditions and/or existing environmental contamination discovered during construction. The reimbursement includes annual costs not-to-exceed \$250,000 per calendar year for a total of \$1,250,000 over a five-year period; additionally there is a one-time payment of \$732,550.11 to cover past eligible expenses. The duration of the agreement, which expires June 16, 2082, and all other terms and conditions of the Lease remain unchanged.

The Office of the City Attorney has reviewed and approved the proposed Amendment as to form and legality. Pursuant to Charter Section 607(a), the Amendment is subject to Council approval by a two-thirds vote due to the cumulative contract term exceeding thirty years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On June 10, 2016, Council approved the May 19, 2016 Board action (Resolution No. 16-7946) authorizing Lease No. 915 (Lease) with SPPM for redevelopment of the site formerly known as Ports O' Call Village along the San Pedro waterfront. The term of the Lease was for 50 years, from June 17, 2016 to June 16, 2066 (C.F. 16-0642). An amendment to the Lease was approved by Council on February 12, 2020, authorizing the November 21, 2019 Board action (Resolution No. 19-9564) to extend the term to 66 years, with a new expiration date of June 16, 2082 (C.F. 20-0128). There have been a total of five amendments to the Lease which are detailed later in the report. This will be the first comprehensive redevelopment of the former Ports O' Call site since it was created in the 1960s.

SPPM's West Harbor Modification Project (Project) is a 40-acre commercial development to build a retail, dining, and entertainment space on the former Ports O' Call site in the Port of Los Angeles. The Board approved the San Pedro Waterfront (SPW) Project Final Environmental Impact Statement/Environmental Impact Report (SPW Final EIS/EIR) for the initial redevelopment plans in September 2009 (SCH No. 2005061041). In May 2016, the Board considered the first Addendum to the SPW Project for proposed modifications of the promenade, parking areas, and waterside improvements. The Board considered Addendum No. 2 in November 2019 to study a 66-year lease as opposed to a 50-year lease, as well as stating that a Subsequent Environmental Impact Report is required to analyze the environmental impacts for the proposed addition of a 6,000-person concert venue. The additional environmental analysis to the outdoor area adjacent to Building A (see Figure 1 below) is an independent portion of the Project being managed under a separate contract, Agreement No. 19-3706.

Project Overview and Status - There are three primary multi-tenant buildings planned on the site as depicted in Figure 1 below as Buildings A, B, and C. Construction of the core and shell for Building A, containing approximately 74,000 square feet of gross leasable area (GLA) of

restaurant, bar, and entertainment space, was completed in September 2024 and is ready for tenants to enter and begin their tenant improvements. Construction for Building B, will have approximately 42,000 square feet of GLA of restaurant and retail space, an outdoor amphitheater, and two acres of green space upon completion commenced in March 2024, and is expected to be done by mid-2025. There is no set date at this time to begin construction on Building C as SPPM needs to have a tenant lease signed prior to commencement of construction, however, upon completion it will have approximately 30,000 square feet of GLA for a fish market, plus North Park which will consist of four acres of recreational tenants. The tentative public grand opening for Buildings A and B is expected to occur in late 2025 or early 2026.

Figure 1: San Pedro Public Market West Harbor Modification Project Site Plan



FIGURE 1 KEY

- | | |
|------------------------------------|-------------------------------------|
| 1. Mile-long Pedestrian Promenade | 7. 20,000 square foot Beer Garden |
| 2. Pop-Up Park (Future Hotel Site) | 8. Waterside Attractions |
| 3. North Park Recreation Area | 9. Proposed 6,000-seat Amphitheater |
| 4. Courtesy Dock | 10. Main Parking Lot |
| 5. Central Park | 11. Bluff Parking Lot |
| 6. Overwater Dining Deck and Bar | |

Lease No. 915 – On May 19, 2016, the Board approved Resolution No. 16-7946 authorizing the Lease with SPPM to redevelop the site formerly known as Ports O' Call in San Pedro for commercial, retail, restaurant, entertainment, and infrastructure projects. The Lease was for a term of 50 years from June 17, 2016 through June 16, 2066, with a 42-month option period at the beginning of the term, and the right to add six months to show progress on the Project design, secure financing, and market to prospective tenants, while the Harbor Department prepared the site for development.

Table 1 below details the five prior amendments and notable changes that have occurred since the inception of the Lease.

Table 1: Prior Amendments to Lease No. 915 with San Pedro Public Market			
Amendment	Resolution No.	Date Approved	Notable Changes
First	19-9564	November 21, 2019	Extended the term to 66 years with a new expiration of June 16, 2082; SPPM exercised their right to adjust the option period to 48 months.
Second	20-9721	November 5, 2020	Amended various Lease provisions including adding the right for SPPM to add six months to the option period two more times.
Third	21-9918	November 4, 2021	Included the right for a fourth option, extending the overall option period to June 16, 2022; added requirement for SPPM to complete financing milestones by April 15, 2022.
Fourth	22-10002	May 26, 2022	Enabled Harbor Department's Executive Director to extend the milestones completion and fourth option extension period to September 17, 2022 to allow SPPM to secure financing.
Fifth	22-10046	August 11, 2022	Extended the option period to November 16, 2022 and authorized the Harbor Department's Executive Director to sign any required documents for the escrow between SPPM and their lenders.

On April 4, 2022, in accordance with Section 1. Article 1, Section 1.2.1 (d) of the Third Amendment to the Lease, SPPM submitted a request to the Harbor Department to extend the milestone's completion date to June 16, 2022. Following review of SPPM's reasonable efforts to secure financing, the extension was granted on April 14, 2022.

Proposed Sixth Amendment - The proposed Amendment, approved by the Board on October 3, 2024, makes the following notable changes to the Lease, and are detailed in Attachment 1:

- 1) Revise delivery notice period from "60 days" to "up to 60 days";
- 2) Add language pertaining to reimbursements to SPPM for unforeseen conditions and/or existing environmental contamination discovered during construction;
- 3) Approve a one-time reimbursement to SPPM in the amount of \$732,550.11 for past eligible costs on work already completed during construction;
- 4) Update costs for completed City improvements which was agreed upon not to exceed \$2,003,552, but the actuals were \$544,095 leaving a remaining balance of \$1,459,457;
- 5) Add a form for monthly gross receipts reporting; and
- 6) Add an established Non-Disturbance and Attornment template agreement for subtenants' security if the Lease with SPPM is terminated.

Compensation - Once the option period was completed on November 16, 2022, Article 2, Section 4.1.6 in the Lease became effective, requiring SPPM to begin submitting payment to the Harbor

of three percent of gross receipts. Since that time, gross receipts have been minimal as there have only been temporary pop-up restaurants and operations during construction. Minimal annual rent, in an amount to be determined later, is scheduled to begin on January 1, 2028.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On October 3, 2024, the Board determined that the proposed action of approving the Amendment to Lease No. 915 is an administrative activity, therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

The underlying project has been previously assessed as part of the San Pedro Waterfront Final Environmental Impact Statement/Environmental Impact Report (SCH#2005061041), which was certified by the Board through Resolution No. 09-6821 on September 29, 2009, and the Addendum to the SPW EIS/EIR considered by the Board on May 19, 2016, and Addendum 2 considered by the Board on November 21, 2019.

The Office of the City Attorney has reviewed and approved the proposed Amendment as to form and legality. Pursuant to Charter Section 607(a), Council approval is required by a two-thirds vote, due to the cumulative contract term exceeding thirty years. Our Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed Amendment to Lease No. 915 with San Pedro Public Market, LLC (SPPM) will modify various lease provisions including adding reimbursements for unforeseen conditions and environmental contamination found during SPPM construction. The Harbor Department will be financially responsible for up to \$1,982,550.11 in costs including an amount not to exceed \$250,000 per calendar year or \$1,250,000 over a five-year period, plus a one-time payment of \$732,550.11 to cover past eligible reimbursement expenses. Fiscal Year 2025 funding in the aggregate amount of \$982,550.11 is available within the Unallocated Capital Improvement Program Fund, Center 900, subject to approval by the Project Development Committee. Any unused balance at the end of each calendar year will not be carried over to the following year. Future year funding will be requested through the annual budget adoption process, subject to Board approval. Compensation under provisions of the Lease remains unchanged with a fixed three percent of gross receipts being collected from any operations occurring during construction. The recommendations in this report and proposed actions comply with the Harbor Department's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – Harbor Department Correspondence dated October 3, 2024; Proposed Resolution No. 24-10442, Harbor report dated September 24, 2024, and Proposed Sixth Amendment to Lease No. 915