

#4
4.27.23

RECOMMENDATION APPROVED;
RESOLUTION 23-10165 (PERMIT 960) ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS

April 27, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: APRIL 12, 2023

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. 23-10165 – APPROVE PERMIT NO. 960
WITH CABRILLO BEACH YACHT CLUB**

SUMMARY:

Staff requests approval of the proposed successor Permit No. 960 (P960) with Cabrillo Beach Yacht Club (CBYC) over a 30-year term for use of City of Los Angeles Harbor Department (Harbor Department) property located at 211 W. 22nd Street, San Pedro. CBYC currently occupies 403,909 square feet of land and water space at 211 W. 22nd Street, San Pedro, for operation of a yacht club, recreational marina, and a youth sailing program. CBYC is proposing to utilize the premises for operation, maintenance, and construction of structures and facilities for berthing and dry storage of pleasure craft, anchorage office and restrooms, vessel sewage pump out, yacht club center, sale of marine hardware, supplies and equipment, sundry items, refreshment and soft drinks, vessel brokerage, and for incidental purposes .

Under the proposed P960, minimum annual rent will be \$278,903.28, or \$23,241.94 per month, and increased annually by the greater of zero percent or the annual change in the Consumer Price Index (CPI). This rent level represents an increase of \$15,977.04 per year, or 6.1 percent, relative to the minimum annual rent of \$262,926.24 currently received under Concession Agreement 517 (CA 517). CBYC will continue to be subject to percentage rent ranging from 5 – 25 percent of gross income, and rent will continue to be subject to five-year compensation resets.

Under the proposed P960, CBYC will also take possession of 18,672 square feet of Harbor Department property adjacent to CBYC's existing premises under CA 517. The incorporation of this parcel into CBYC's premises will relieve the Harbor Department of ongoing maintenance expenses associated with maintaining the hillside, gazebo and stairway included therein.

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 is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(14) of the Los Angeles City CEQA Guidelines;

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2. Approve Permit No. 960 with Cabrillo Beach Yacht Club;
3. Direct the Board Secretary to transmit Permit No. 960 to the City Council for approval pursuant to Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 960 upon approval by the City Council; and
5. Adopt Resolution No. 23-10165.

DISCUSSION:

Background – CBYC currently occupies land and water space at 211 W. 22nd Street, San Pedro, under CA 517. CA 517 was approved by the Board in September 1998 for a 30-year term and is set to expire on September 23, 2028.

CBYC was established in 1932 amid the enthusiasm for small boat racing sparked by the 1932 Los Angeles Olympic Games and through the cooperative efforts of its members quickly grew into an established yacht club. CBYC prides itself on its spirit of cooperation, enthusiasm, and hard work which can be seen clearly throughout its facilities and programs offered to the larger harbor area community.

CBYC is currently a tenant in good standing and has established a strong foundation within the San Pedro community for youth sailing, yacht racing, and oceanic recreation, along with locally-led activities to encourage community engagement and growth. CBYC is requesting a successor permit to CA 517 for a term of 30 years. The premise map is attached at Transmittal No. 1. The proposed P960 is attached as Transmittal No. 2.

Summary of Significant Permit Terms –

Provisions	Description
Permitted Use	Operation, maintenance and construction of structures and facilities for: (i) berthing and dry storage of pleasure craft (ii) anchorage office and restrooms (iii) vessel sewage pump out (iv) yacht club center (v) sale of marina hardware, supplies and equipment, sundry items, refreshment and soft drink (vi) vessel brokerage
Term	30 Years
Premises	422,581 square feet of land, water and marina space

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Compensation	Minimum Annual Rent of \$278,903.28, Monthly Rent of \$23,241.94															
Percentage Rent	At the end of each month, CBYC shall pay Percentage Rent which exceeds the Minimum Monthly Rent as follows:															
	<table><tr><th>Percentage</th><th>Description</th></tr><tr><td>25%</td><td><ul style="list-style-type: none">any and all gross income for rental of boats, berths, dock lockers, dinghy rocks, moorings, dry storage spaces, live-aboard fees, coin operated vending machines, services or game machines or devices including telephones;</td></tr><tr><td>20%</td><td><ul style="list-style-type: none">dry storage and launch/retrieval income;</td></tr><tr><td>7%</td><td><ul style="list-style-type: none">any and all gross income for rental of rooms, banquet and conference rooms;</td></tr><tr><td>5%</td><td><ul style="list-style-type: none">any and all gross income for food sold in convenience restaurants, snack bars, delicatessens and packaging stores, coin-operated machines or devices owned, leased or rented by the Tenant and/or Concessioner;</td></tr><tr><td>10%</td><td><ul style="list-style-type: none">any and all gross income for rental of office spaces;</td></tr><tr><td>5%</td><td><ul style="list-style-type: none">any and all gross income from any and all activities and business allowed under this Permit and not otherwise provided under the other percentage rent categories</td></tr></table>	Percentage	Description	25%	<ul style="list-style-type: none">any and all gross income for rental of boats, berths, dock lockers, dinghy rocks, moorings, dry storage spaces, live-aboard fees, coin operated vending machines, services or game machines or devices including telephones;	20%	<ul style="list-style-type: none">dry storage and launch/retrieval income;	7%	<ul style="list-style-type: none">any and all gross income for rental of rooms, banquet and conference rooms;	5%	<ul style="list-style-type: none">any and all gross income for food sold in convenience restaurants, snack bars, delicatessens and packaging stores, coin-operated machines or devices owned, leased or rented by the Tenant and/or Concessioner;	10%	<ul style="list-style-type: none">any and all gross income for rental of office spaces;	5%	<ul style="list-style-type: none">any and all gross income from any and all activities and business allowed under this Permit and not otherwise provided under the other percentage rent categories	
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Rental Adjustments	1. Annual CPI-U adjustment 2. Five-year rental rate adjustment															

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Security Deposit	\$69,725.82 (3 months' rent), in cash or letter of credit
Maintenance and Repair	CBYC shall be responsible for performing all maintenance and repair

Tenant Improvements - As part of their new permit proposal, CBYC will complete tenant improvements to the premises with an estimated minimum investment of \$805,000 which is described in the below chart:

Item	Estimated 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

CBYC has also agreed to take possession of and maintain 18,672 square feet of Harbor Department property, which consists of a landscaped hillside, gazebo, and public access stairway as illustrated as Parcel No. 7 on Transmittal No. 1. The incorporation of Parcel No. 7 into the CBYC premises will relieve the Harbor Department of the ongoing maintenance of the hillside, gazebo, and stairway. It should be noted that the 18,672 square foot addition will not generate an increase in revenue for CBYC.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of P960 with CBYC for operation of a yacht club, recreational marina, and youth sailing program, which is the issuance of a permit to use an existing facility involving negligible expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Under the proposed successor P960, minimum annual rent will increase by \$15,977.04, or 6.1 percent, relative to the minimum annual rent of \$262,926.24 currently received under CA 517. Rent will increase annually by the greater of zero percent or the annual change in CPI with compensation resets occurring every five years over the 30-year term of P960. CBYC will continue to pay percentage rent ranging from 5-25 percent of gross income.

The proposed minimum rent was calculated based upon an analysis of slip rents currently charged by CBYC relative to the broader market. As part of this analysis, staff noted that CBYC slip rents tended to be, on average, 6.1 percent below market. Therefore, minimum annual rent paid by CBYC was increased by this same 6.1 percent difference in order to ensure that the Harbor Department obtains its proportionate share of rent on slips at market rates rather than those currently charged by CBYC.

Under the proposed successor P960, CBYC will also take possession of Parcel No. 7 and increase CBYC's premises by 18,672 sf from 403,909 sf currently under CA 517 to 422,581 sf as proposed under P960. This action will generate annual savings to the Harbor Department as Port staff will no longer be responsible for maintaining the hillside, gazebo and stairwell included within Parcel No. 7.

CITY ATTORNEY:

P960 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Permit No. 960

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

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

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For
EUGENE D. SEROKA
Executive Director

MG:HP:MS:jt
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