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7.28.22

RECOMMENDATION APPROVED;
RESOLUTION 22-10036 ADOPTED AND;
PERMIT NO. 896 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

JULY 28, 2022
AM KLESGES
AMBER M. KLESGES
Board Secretary

DATE: JULY 14, 2022
FROM: WATERFRONT & COMMERCIAL REAL ESTATE
SUBJECT: RESOLUTION NO. 22-10036 - APPROVE SECOND AMENDMENT TO PERMIT NO. 896 WITH CRAFTED AT THE PORT OF LOS ANGELES

SUMMARY:

Staff requests approval of the proposed Second Amendment to Permit No. 896 (P896) with Crafted at the Port of Los Angeles (Crafted), a visitor-serving arts and crafts public marketplace and tourist attraction. P896 has a 25-year term that commenced December 16, 2011, with two five-year options to extend.

The proposed Second Amendment would amend the Fourth Compensation Period within P896. Currently, the Fourth Compensation Period occurs over a five-year term from September 1, 2020 through and including August 31, 2025, and the Fifth Compensation Period begins on September 1, 2025.

If approved, the Second Amendment would extend the term from five years to eight years and bifurcate the Fourth Compensation Period into two periods. Period 1 would run from September 1, 2020 through August 31, 2023, and Period 2 would run from September 1, 2023 through August 31, 2028. The subsequent Fifth Compensation Period would then begin on September 1, 2028.

The proposed Second Amendment will neither change the original 25-year term of P896, nor will it change the terms associated with the two five-year options to extend.

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 administratively and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) and Article III, Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Permit No. 896 with Crafted at the Port of Los Angeles;
3. Direct the Board Secretary to transmit the Second Amendment to Permit No. 896 with Crafted at the Port of Los Angeles 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 the Second Amendment to Permit No. 896; and

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5. Adopt Resolution No. 22-10036

DISCUSSION:

Background – P896 grants Crafted the use of City of Los Angeles Harbor Department (Harbor Department) property consisting of approximately 134,550 square feet of warehouse space and parking space consisting of approximately 261,360 square feet. in San Pedro at 112 E. 22nd Street (Transmittal 1). The permitted uses include a visitor-serving arts and crafts public marketplace and tourist attraction with incidental specialty commercial uses, including but not limited to, a brewery, food carts, parking, special events and other ancillary uses. All improvements are owned and maintained by Crafted.

Proposed Second Amendment – The proposed Second Amendment (Transmittal 2) will amend the Fourth Compensation Period into two periods – Fourth Compensation Period 1 from September 1, 2020 to August 31, 2023 and Fourth Compensation Period 2 from September 1, 2023 to August 31, 2028. Due to expected market appreciation and increased economic activity at Crafted following the pandemic, an additional compensation reset within the period of 2020 through 2028 will ensure that Crafted’s rent remains at the appropriate market rate.

Summary of Significant Amendment Terms:

Compensation Period	Description	Proposed Rent
Fourth Compensation Period 1	<ul style="list-style-type: none"> September 1, 2020 through and including August 31, 2023 	<ul style="list-style-type: none"> Tenant shall pay Minimum Rent (no less than \$50,000) or Percentage Rent, whichever is greater Minimum Rent adjusted annually based on the greater of CPI or Economic Performance Method MAG: \$50,000 per year/\$150,000 for Fourth Compensation Period 1
Fourth Compensation Period 2	<ul style="list-style-type: none"> September 1, 2023 through and including August 31, 2028 	<ul style="list-style-type: none"> Tenant shall pay Minimum Rent no lower than the previous Compensation Year’s Minimum Rent or Percentage Rent, whichever is greater Minimum Rent adjusted annually based on the greater of CPI or Economic Performance Method MAG: \$50,000 per year/\$250,000 for Fourth Compensation Period 2

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Second Amendment to P896 with Crafted, which is an administrative activity and an activity involving an amendment of any permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II, Section 2(f) and Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

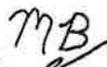
Approval of the proposed Second Amendment will: (i) extend the term of the Fourth Compensation Period from five to eight years; (ii) bifurcate the Fourth Compensation Period into two sub-periods; and (iii) delay the start of the Fifth Compensation Period by three years. Approval of the proposed Second Amendment guarantees the Harbor Department a minimum of \$400,000 paid in minimum rent over the course of the eight years. Neither the original 25-year term of P896 nor the terms of the two five-year options to extend will be impacted by this action. The Harbor Department will not be financially impacted by approval of the Second Amendment as compensation payable during the Fourth Compensation Period and Fifth Compensation Period will continue to be negotiated as part of compensation reset processes which will be considered separately by the Board.

CITY ATTORNEY:

The proposed Second Amendment to Permit No. 896 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Premise Map
2. Second Amendment

FIS Approval: 
CA Approval: 

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

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For
EUGENE D. SEROKA
Executive Director

MG:HP:MS:ss
Author: Meagan Sestich
BL932ss Crafted Second Amendment