



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 30, 2025

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVE PERMIT NO. 942 WITH LA SKY HARBOR, LLC DBA DOUBLETREE BY HILTON HOTEL

SUMMARY:

Staff requests approval of the proposed Permit No. 942 (P942) with LA Sky Harbor, LLC (LASH), dba DoubleTree by Hilton Hotel San Pedro (DoubleTree). LASH acquired the DoubleTree property and assumed the current Permit No. 520 (P520) in February 2013. Due to financial issues, the DoubleTree property has been transferred multiple times prior to LASH's acquisition. P520 was executed on July 1, 1987, with an expiration date of November 26, 2046.

LASH requested a new 50-year permit to allow LASH to refinance the property to enable capital improvements to be made to ensure the hotel meets Hilton's property improvement requirements to continue licensing the Hilton brand. LASH's lender requires a fifty-year lease agreement to refinance the mortgage. The proposed capital improvements are anticipated to attract more visitors and increase occupancy and revenue to LASH and to the City of Los Angeles Harbor Department (Harbor Department). Approval of the proposed action will increase Fixed Minimum Annual Rent by \$145,031.67, or 51.0%, from \$284,556.33, currently to \$429,588.00 as proposed.

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;
2. Approve Permit No. 942 with LA Sky Harbor, LLC;
3. Direct the Board Secretary to transmit the Permit No. 942 to the City Council for approval pursuant to Section 606 and 607 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Permit No. 942 upon approval by the City Council; and

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5. Adopt Resolution No. _____.

DISCUSSION:

Background – The DoubleTree Hotel was initially built by California Coast Development Group, Inc. in September 1989 under P520 issued by the Harbor Department. The hotel experienced economic difficulties from the outset due to recession of the 1990s and was ultimately foreclosed on by the construction lender and lost its flag on two separate occasions, with different permit holders, due to both market conditions and the prior permit holders' inability to make the capital upgrades required by Hilton.

On February 27, 2013, the Board approved the assignment of P520 to LASH. At the time of LASH's purchase and assumption of P520, LASH was concerned with the limited remaining permit term and requested a lease extension. However, it was communicated to LASH that it needed to establish a track record at the property before a permit extension would be considered. LASH proceeded with renovating the property, investing over \$6,000,000 and significantly improved the property's appearance, occupancy, and cash flow. It became the most successful operator of the DoubleTree Hotel since its inception in 1989, due primarily to LASH's capital investments. On November 5, 2019, the Board instructed staff to proceed with the negotiation for the successor permit to the P520 with LASH. The negotiations were delayed due to the pandemic.

To satisfy the Harbor Department's Port Objectives for Commercial Leases, LASH proposes to invest \$10,000,000 dollars to renovate the DoubleTree Hotel to improve its appeal and revenue as well as to meet Hilton's seventh year complete renovation requirement (which is currently two-years overdue). LASH's bank has reserved \$10,000,000 dollars for renovation subject to LASH obtaining a new 50-year permit from the Harbor Department. If LASH does not promptly begin renovation, it may lose its flag, the consequences to LASH and the Harbor Department could be severe.

Proposed Permit - Proposed P942 grants use of Harbor Department property at 2800 Via Cabrillo Marina, San Pedro, California (Transmittal 1) for the operation of a hotel and purposes incidental thereto. The permit entitles LASH to use and occupy premises consisting of approximately 8.1 acres (352,933 square feet) of land area as depicted on the drawing which consists of a 226-room hotel, restaurant, swimming pool, fitness facility, and related commercial/banquet facilities. All improvements are owned and maintained by LASH at their sole expense. Furthermore, the proposed P942 is fully aligned with the agendized Leasing Guidelines' Labor Peace Agreement.

Proposed P942 has a term of 50 years from the effective date, which will expire in 2075 (Transmittal 2). Current permit (P520) is set to expire November 26, 2046. The table below summarizes key terms.

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Summary of Significant Terms -

Successor Permit Overview		
	Existing	Proposed via Successor Permit
Premises:	310,583 s.f. (7.13 acres)	352,933 s.f. (8.1 acres) Increase due to the addition of common area and parking lot.
Term:	50-year, Expiring 11-26-2046	50-years from approval
Permitted Use:	Hotel	No Change
Minimum Rent:	\$284,556.33	\$429,588.00
Percentage Rent:	Rooms, Food and Beverages: Sales up to \$7.5M 2% Sales of \$7.5M to \$9M 3% Sales over \$9M 4% Office Rental 10% Vessel Insurance Brokerage 10% Sale of Vessels/Yacht 1% Vending Machine 25% All Other Revenues 5%	Rooms, Food and Beverages: Rooms 5% Food & Beverage 5% Retail Sales 3% Vehicle Parking 20% Office Rental 10% Vessel Insurance Brokerage 10% Sale of Vessels/Yacht 10% Vending Machine 25% All Other Revenues 5%
Rent Adjustment:	Annual CPI; and Compensation Reset every 5th year based on economic performance	No Change

Labor Peace Agreement - The Harbor Department has not adopted the City of Los Angeles Labor Peace Agreement (Los Angeles Administrative Code (“LAAC”) section 7.200 et seq) for hotels located on City-owned property. However, LASH has voluntarily elected to operate under an active union labor agreement.

It is worth noting, staff intends to present to the Board for approval an update to the Harbor Department’s Leasing Policy to include a statement that “the Harbor Department shall not execute any Lease with existing Hospitality Operations unless and until the Hospitality Operations Lessee has signed a labor peace agreement with any Labor Organization seeking to represent Hospitality Workers at the premises covered by the Lease”.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of P942 with LASH for a new 50-year permit to operate a hotel and associated facilities, which is issuance of a permit to use an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically

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exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of proposed Permit No. 942 will increase Fixed Minimum Annual Rent by \$145,031.67, or 51.0%, from \$284,556.33, currently, to \$429,588.00, as proposed. In addition to the Fixed Minimum Annual Rent, LASH will pay the Harbor Department for each and every month of the rental period, percentage rents equivalent to the amount, if any, by which the cumulative total of percentages of the gross receipts exceeds the Minimum Monthly Rent payable. LASH has paid approximately \$440,000 in gross percentage rent past year in total compensation.

Fixed Minimum Annual Rent will be subsequently adjusted annually based on the CPI-U for Los Angeles-Long Beach-Anaheim. Proposed compensation meets the Board policy rate of return for land and improvements in the past year.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Permit No. 942 as to form and legality.

TRANSMITTALS:

- 1. Site Map
- 2. Permit No. 942

FIS Approval: *MM*
 CA Approval: *JC*

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 Director of Waterfront & Commercial Real Estate

Michael DiBernardo
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APPROVED:

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