



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 31, 2026

FROM: WATERFRONT AND COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE CONSENT TO
HYPOTHECATION OF PERMIT NO. 942 WITH LA SKY HARBOR, LLC
TO PREFERRED BANK

SUMMARY:

Staff requests that the Board of Harbor Commissioners (Board) approve the Consent to Hypothecation of Permit No. 942 with LA Sky Harbor, LLC (LASH) as requested by LASH and its lender, Preferred Bank, a California banking corporation. Permit No. 942 is a 50-year agreement expiring on November 30, 2075, which grants LASH use of approximately 2.54 acres of City of Los Angeles Harbor Department (Harbor Department) land at the Cabrillo Marina for constructing, operating, and maintaining facilities for hotel; dinner and convenience restaurants; banquet facilities; office space rental; general retail sales; and incidental purposes. The hotel is located at 2800 Via Cabrillo Marina, San Pedro, and is currently licensed as the Doubletree by Hilton Hotel San Pedro – Port of Los Angeles (Doubletree Hotel).

Board approval will allow LASH to acquire \$17.8 million of funding from Preferred Bank to facilitate a successful long-term investment strategy that will discharge previously acquired financing, provide the funding necessary to complete the ongoing remodel of the Doubletree Hotel, and provide ongoing working capital, among other things. No funding from the Harbor Department will be required for the proposed action.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Consent to Hypothecation of Permit No. 942 to Preferred Bank;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Consent to Hypothecation of Permit No. 942 to Preferred Bank; and
4. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – The subject premises are an improved site with a 226-room hotel, restaurant, swimming pool, parking, and related commercial facilities located at 2800 Via Cabrillo Marina, San Pedro (Transmittal 1) (Doubletree Hotel). The Doubletree Hotel and all site improvements are owned and maintained by LASH.

The Doubletree Hotel site was initially built by California Coast Development Group, Inc. in September 1989 and experienced economic difficulties from the outset due to the recession of the 1990s. The hotel 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 its parent brand entity (Hilton). On February 27, 2013, the Board approved the assignment of the then-current operating permit, Permit No. 520, to LASH.

Under previous Permit No. 520, LASH invested more than \$10 million dollars to renovate the Doubletree Hotel to improve its appeal, enhance revenues, and meet Hilton's seventh-year complete renovation requirement. LASH is again required to meet Hilton's seventh-year complete renovation requirement and seeks funding to renovate the Doubletree Hotel.

On November 4, 2025, the Board approved a successor permit (Permit No. 942) with LASH to enable financing required to complete Hilton's renovations and provide for successful ongoing hotel operations.

LASH's bank has reserved \$17.8 million to fund renovations (approx. \$6 million) and refinance previous debt (approx. \$12 million). LASH is experiencing pressure from Hilton to promptly begin renovation to maintain its brand flag, which mutually serves LASH's and the Harbor Department's long-term objectives to maintain a quality hotel on the LA Waterfront. Losing the DoubleTree Hotel flag may result in negative consequences for LASH and the Harbor Department.

The Product Improvement Plan (PIP), as required by Hilton for licensing to continue operating the property as a Doubletree by Hilton Hotel, requires improvements to guest rooms and suites, lobby, restrooms, kitchen, lounge, ballroom, meeting rooms, parking lot, and technology applications (Transmittal 2). These renovations and upgrades should significantly improve the appearance, operating performance, profitability, and value of the property.

LASH is pursuing a loan for \$17.8 million with Preferred Bank to fund the PIP and other obligations. LASH wishes to secure the loan payments with, among other things, LASH's rights under Permit No. 942. Such security includes a deed of trust, assignment of rents and leases, fixture filing, and certain other related instruments (collectively "Deed of Trust") which will encumber LASH's entire estate, right, title, and interest in Permit No.

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942 and the premises. As provided in Section 112.1.2 of Permit No. 942 regarding the transfer of interest or assignment, Preferred Bank has requested that the Board approve the attached Consent to Hypothecation (Transmittal 3) to recognize Preferred Bank's legal interest in Permit No. 942.

Hypothecation is a mortgage or pledge in which the subject matter is not delivered to the pledgee. Rather, the proposed Consent to Hypothecation imposes certain notification obligations on the Harbor Department while assuring that the Harbor Department's rights are maintained should a default occur. If the tenant (in this case, LASH) defaults under the loan, the lender (in this case, Preferred Bank) will have the right to foreclose upon the lender's security interest. The lender would then have the right to assign the permit to a third party. The third party, subject to the consent of the Board, would become the tenant under the permit.

The Board has previously consented to the hypothecation of permits related to the subject property on several occasions, as follows:

- October 1987 - U.S. Bancorp;
- December 10, 1996 - Bankers Trust Company;
- July 16, 1997 - Bank Boston, N.A.;
- November 9, 2005 - San Diego National Bank; and
- June 26, 2013 - Industrial and Commercial Bank of China (USA).

The form of the subject Consent to Hypothecation is substantially the same form as that used in the most recent related June 26, 2013, transaction. Upon Board approval, Preferred Bank will execute the Consent to Hypothecation for inclusion with the loan documents necessary to finalize and fund the loan.

It is worth noting that the proposed Consent to Hypothecation of Permit No. 942 to Preferred Bank recognizes that the Board intends to ensure that the hotel and other improvements on the premises are operated and maintained in a manner comparable to a Doubletree by Hilton Hotel or other hotels of similar or better quality, as required by Permit No 942.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Consent to Hypothecation of Permit No. 942 with LASH in favor of Preferred Bank, which 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.

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FINANCIAL IMPACT:

The Consent to Hypothecation of Permit No. 942 to Preferred Bank will have no impact on the compensation payable to the Harbor Department under Permit No. 942. It is expected that the completion of the PIP will increase the value of the improvements and result in greater revenue for LASH through increased occupancy and room rates, which should result in an increased percentage rent payable to the Harbor Department. Annual minimum rent currently payable to the Harbor Department is \$444,194. Ongoing operating and maintenance costs associated with the subject property will continue to be fully borne by LASH.

CITY ATTORNEY:

The Consent to Hypothecation of Permit No. 942 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Product Improvement Plan
3. Consent to Hypothecation

FIS Approval:  (initials)
CA Approval:  (initials)

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APPROVED:

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