



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 31, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ APPROVE ORDER RESETTING
COMPENSATION UNDER CONCESSION AGREEMENT NO. 791 WITH
CALIFORNIA YACHT MARINA-CABRILLO, LLC

SUMMARY:

Staff requests approval of the Order resetting compensation under Concession Agreement No. 791 (CA 791) which grants California Yacht Marina-Cabrillo, LLC (CYMC) the use of City of Los Angeles Harbor Department (Harbor Department) property located within the Phase 1 of the West Channel Development Area in San Pedro. CA 791 provides for the construction, operation, and maintenance of a facility for a recreational vessel marina and related uses, including dry storage of vessels and for incidental purposes.

This proposed Order resetting compensation covers the five-year period from January 1, 2018 through December 31, 2022, and is consistent with the methodology for calculating fixed minimum rent (FMR) established in the previous compensation reset. Both FMR and percentage rent are proposed to remain unchanged. The FMR will be set at \$1,004,256 and will be subject to annual adjustments based on the Consumer Price Index (CPI).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find 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 as determined by the Director of Environmental Management;
2. Approve the Order resetting compensation under Concession Agreement No. 791 for the five-year period from January 1, 2018 through December 31, 2022;
3. Authorize the Board Secretary to attest to the Order under Concession Agreement No. 791 resetting compensation to be paid by California Yacht Marina-Cabrillo, LLC pursuant to Section 4(1) of Concession Agreement No. 791; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION – CALIFORNIA YACHT MARINA-CABRILLO, LLC

DISCUSSION:

Background – The proposed Order (Transmittal No. 1) resets compensation for CYMC. CA 791 has a 50-year term that commenced on August 1, 1998, and terminates on December 31, 2047. The leasehold premises consist of 373,777 square feet (s.f.) of land area (8.6 acres) and 1,617,071 s.f. of water area (37.12 acres) located within Phase I of the West Channel Development Area (Berths 27-30) as identified on Drawing No. 1-2195 (Transmittal No. 2).

CA 791 provides that compensation be reset at a minimum of every ten years (consistent with the City Charter at that time). However, a five-year reset period is proposed at this time consistent with the previous reset period commencing January 1, 2013 through December 31, 2017.

Compensation Reset – Annual compensation is proposed to continue to be made up of Fixed Minimum Rent (FMR) or percentage rent, whichever is greater. Percentage rent is proposed to remain the same based upon gross receipts for various activities.

Fixed Minimum Rent - The FMR, as established in 2010 under Order No. 10-7056, used the Economic Performance Method (EPM) calculation as illustrated below for the current period.

- I. FMR is 75 percent of the average total rent (greater of the FMR or Percentage Rent) owed over the previous three years.

Economic Performance Method FMR	
2014 Total Rent	\$ 1,123,873.49
2015 Total Rent	\$ 1,191,055.75
2016 Total Rent	\$ 1,219,353.58
Total 3 year	\$ 3,534,282.82
3 year Average Total Rent	\$ 1,178,094.27
FMR (75%)	\$ 883,570.71

- II. If the FMR (\$883,570.71) above is less than prior year's FMR (\$1,004,256) adjusted by October CPI, the new FMR will equal prior year's FMR adjusted by October CPI.
- III. The new FMR cannot be lower than the preceding year's FMR.
- IV. The new FMR is proposed to remain at \$1,004,256, adjusted by October CPI.

SUBJECT: ORDER RESETTING COMPENSATION – CALIFORNIA YACHT MARINA-CABRILLO, LLC

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under a Concession Agreement with CYMC. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed Order resetting the FMR, as described herein, is not expected to have a financial impact upon the Harbor Department.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Order
- 2. Drawing No. 1-2195



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: MB (initials)
CA Approval: MC (initials)



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director