



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: FEBRUARY 2, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ – APPROVE PERMIT NO. 946
WITH TRANI'S DOCKSIDE**

SUMMARY:

Staff requests approval of Permit No. 946 (P946) with Trani's Dockside (Trani's), for use of the City of Los Angeles Harbor Department (Harbor Department) property located at 311 E. 22nd Street, San Pedro (formerly known as Canetti's Seafood Restaurant) as a restaurant named Dockside that will provide both indoor and outdoor seating.

Minimum annual rent is \$60,126, paid quarterly at \$15,031.50 and subject to annual Consumer Price Index (CPI) increases. Trani's will also be subject to percentage rent of 3 to 5 percent of gross sales. The term of P946 will be for a total of eleven years and two months, which allows for a one-year and two-month construction period and a ten-year period for operations. There will also be two, five-year options to extend the agreement at the tenant's discretion.

The Harbor Department will provide a rent credit of \$94,400 per year over ten years, for a total of \$944,000, to offset Trani's total tenant improvement project cost, which is estimated at \$1,592,925 including basic commercial space upgrades such as electrical; plumbing; flooring; and heating and air conditioning in addition to restaurant-specific upgrades required to buildout the Dockside restaurant. Engineering staff concluded that the construction cost is reasonable (\$238/sf) and well within an accepted cost range according to the California Construction Cost Index.

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 Sections 15301 and 15331 of the State CEQA Guidelines;
2. Approve Permit No. 946 with Trani's Dockside;
3. Direct the Board Secretary to transmit Permit No. 946 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. 946 upon approval by the City Council; and
5. Adopt Resolution No. _____.

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DISCUSSION:

Background - The Canetti's Seafood Restaurant operated at the facility located at 311 E. 22nd Street, San Pedro which closed in January 2010, leaving the two-story building mostly vacant. In 2019, The Jankovich Company completed renovations of the entire second floor and occupied a third of the first floor of the building for storage, leaving the former Canetti's restaurant space as the only vacant space in the building. The premises map is attached as Transmittal No. 1. The proposed P946 is attached as Transmittal No. 2.

The Waterfront & Commercial Real Estate Division (WCRED) released a Request for Proposals to the public for the lease of commercial space for maritime-related and/or visitor-serving businesses at the site of the former Canetti's Seafood Restaurant. The proposal submitted by Trani's met the Harbor Department's objective of attracting visitor-serving businesses to the LA Waterfront.

Trani's is proposing to operate Dockside, a restaurant that provides three meals a day in a fast, casual setting with both indoor and outdoor seating. There will be a breakfast and coffee bar, as well as a raw bar/oyster bar with fish and meats as the main components.

The building, which originally operated as a federal Immigration Building in the 1920s, was in a 2008 survey, found eligible for listing in the National Register of Historic Places, California Register of Historic Resources, and as a City of Los Angeles Historic-Cultural Monument and is therefore considered a historical resource under CEQA.

In a 2019 Historic Conformance Memorandum reassessing the historic character of the facility in accordance with federal standards, a professional architectural historian found that the Canetti's facility had been altered for utilitarian reasons over the years, such that it had lost some of its historic character-defining elements. The Memorandum concluded with recommendations that future renovation designs undertake to rehabilitate and restore the historic character of such elements, in accordance with national historic standards. Construction will be necessary for the Trani's Dockside to comply with seismic and restaurant codes, and operational needs, but Trani's owners committed to undertake such renovations in a manner compliant with the historic rehabilitation requirements. All interior and exterior modifications proposed by Trani's Dockside has been reviewed by an architectural historian meeting Secretary of the Interior Professional Qualification Standards and determined to be in accordance with Secretary of the Interior's Standards for Rehabilitation.

The Harbor Department will provide a rent credit of \$94,400 per year for ten years, for a total of \$944,000, to offset Trani's total tenant improvement project cost, which is estimated at \$1,592,925. The rent credit is intended to provide a cost offset to Trani's for basic tenant improvements that typical commercial space would include such as electrical, plumbing, flooring, and heating and air conditioning. The former Canetti's restaurant space is lacking any of these basic improvements given the age of the previous restaurant and the condition of the current space. Engineering staff has reviewed Trani's construction cost estimates and concluded that the construction cost breakdown, including prevailing wage scales, is reasonable (\$238/sf) and well within an accepted range according to the California Construction Cost Index.

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Summary of Significant Permit Terms –

Provisions	Description
Permitted Use	<p>Operation and maintenance of a facility for:</p> <ul style="list-style-type: none"> (i) restaurant and banquet services, with or without entertainment; restaurant may have full bar (ii) sale of store-branded merchandise such as t-shirts, hats, and other merchandising items bearing Trani's name and/or logo
Term	<p>Eleven Years Two Months as follows:</p> <ul style="list-style-type: none"> (i) Construction Period – 1 year and 2 months (ii) Operations Period - 10 years <p>Two consecutive five-year options to extend at tenant's discretion.</p>
Premises	<p>4,448 square feet of interior area 1,125 sf of exterior patio area</p>
Compensation	<p>Minimum Annual Rent of \$60,126 (\$15,031.5 per quarter) which is based on a market value of \$1.00 per square foot for interior space and \$.50 per square foot for exterior space. The rental rate is based on the as-is condition of the building that requires extensive renovation to be performed by the tenant. Minimum Annual Rent is to be paid on a quarterly basis.</p>
Rent Credit	<p>Harbor Department to provide up to \$94,400 in rent credit against its Quarterly Rent and Percentage Rent per year. The total Rent Credit shall not exceed \$944,000.</p>
Percentage Rent	<p>At the end of each calendar quarter, Trani's shall pay Percentage Rent which exceeds the Minimum Quarterly Rent as follows:</p> <ul style="list-style-type: none"> (i) 3% of any and all gross receipts up to \$3,000,000; or (ii) 3.25% of any and all gross receipts greater than \$3,000,000 and less than or equal to \$3,250,000 (iii) 3.5% of any and all gross receipts greater than \$3,250,000 and less than or equal to \$3,500,000 (iv) 3.75% of any and all gross receipts greater than \$3,500,000 and less than or equal to \$3,750,000 (v) 4% of any and all gross receipts greater than \$3,750,000 and less than or equal to \$4,000,000 (vi) 5% of any and all gross receipts greater than \$4,000,000

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Rental Adjustments	1. Annual CPI-U adjustment 2. Five-year rental rate adjustment
Security Deposit	\$15,031.50 (3 months' rent), in cash or letter of credit
Maintenance and Repair	Trani's shall be responsible for performing all maintenance and repair, excluding roof repair.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of Permit No. 946 with Trani's for use of Harbor Department property located at 311 E. 22nd Street, San Pedro (aka Canetti's Seafood Restaurant) as a restaurant named Trani's Dockside, which is an activity involving permitting or minor alteration of existing structure involving negligible or no expansion of existing or former use and the maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation, or reconstruction of historical resources. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Section 15301 and 15331 of the State CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Permit No. 946 will enable Trani's to occupy 4,448 square feet of interior space and 1,125 square feet of exterior patio area over an initial term of eleven years and two months, with an additional two five-year options to extend the agreement at the tenant's discretion. If all options are exercised, the full term of Permit No. 946 would be 21 years and two months.

Minimum annual rent of \$60,126 will be paid in the first year upon completion of tenant-constructed improvements, which are anticipated to take 14 months to complete. Minimum annual rent will increase by CPI annually and will be subject to resets every five years over the permit term.

Staff estimates that in order to reach a hurdle rate of 11.7 percent and assuming that \$944,000 in tenant credits are paid out over the proposed Permit term, Trani's would need to generate annual average sales of \$3.675 million over the 21-year and two-month term of the proposed permit.

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CITY ATTORNEY:

Permit No. 946 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Permit No. 946

FIS Approval: MB
CA Approval: SO

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

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins
EUGENE D. SEROKA
Executive Director

ES:MD:MG:HP:KK:MS:raw
Author: Meagan Sestich
BL869raw Tranis Permit