



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JUNE 8, 2023**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ORDER RESETTING  
COMPENSATION UNDER PERMIT NO. 624 WITH TWENTY SECOND  
STREET LANDING, LLC**

**SUMMARY:**

Staff requests approval of the Order resetting compensation for Permit No. 624 (P624) between Twenty Second Street Landing, LLC (Twenty Second Street) and the City of Los Angeles Harbor Department (Harbor Department). P624 has a 39-year term, which commenced November 27, 1987, and expires on November 26, 2026. Twenty Second Street operates and maintains a building and dock space used for sport fishing and a restaurant located at 141 W. 22nd Street in San Pedro.

The proposed Order resetting compensation is for the four-year period effective retroactively November 27, 2022, through November 26, 2026. Proposed compensation under this compensation reset is the greater of the minimum annual rental amount of \$279,000, or percentage of gross receipts. The proposed minimum annual rental amount of \$279,000 represents an increase of \$105,038.93, or 60.4%, relative to the current minimum annual rent of \$173,961.07.

The proposed compensation reset also includes a flexible monthly minimum rent and percentage rent payment schedule to account for significant variations in seasonal gross receipts associated with sport fishing, which is the primary economic driver for Twenty Second Street. The minimum annual rental amount which is paid on a monthly schedule will be adjusted annually thereafter by the Consumer Price Index (CPI) for the remainder of the compensation period.

**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 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 Order resetting compensation under Permit No. 624 for the four-year period effective November 27, 2022, through November 26, 2026;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 624; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

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**DISCUSSION:**

Background – P624 grants Twenty Second Street the use of Harbor Department land consisting of approximately 60,287 square feet (sq. ft.) of land and 78,035 sq. ft. of water in San Pedro (Transmittal 1). The permitted uses include the construction, operation and maintenance of structures and facilities for berthing of sport fishing and charter vessels, small boat rentals, restaurant and lounge, seafood market and snack bar, fishing vessel brokerage and insurance sales, and for purposes incidental thereto. All improvements are owned and maintained by Twenty Second Street.

As required by the terms and conditions of P624, it is necessary for staff to review and reset compensation for each five-year period. The last compensation reset was completed in May 2018 for the compensation period covering November 27, 2017, through November 26, 2022.

Current Compensation – For the period from November 27, 2017, through and including November 26, 2022, Twenty Second Street paid the greater of monthly minimum rent or percentage rent, with annual CPI increases. Monthly minimum rent was set at \$14,496.76 (\$173,961.07/year). Percentage rent was as follows:

Gross %	Description
5%	Food & Beverages at Snack Bar
3%	Food in Restaurant
5%	Beverages in Restaurant
1%	Boat Sales
10%	Insurance Brokerage Commission
5%	Boat Rentals
5%	Boat Chartering & Rentals 24hr+
5%	Ship Chandlery & Bait Sales
5%	General Retail Sales
25%	Compensation for 3rd Party Vending Machines
5%	Tenant Owned Vending Machines
5%	All Other Activities

Proposed Compensation Reset – The proposed compensation reset for the period of November 27, 2022, through November 26, 2026, shall be reset to the greater of a minimum annual rent of \$279,000 or percentage of gross receipts. The newly proposed minimum annual rent of \$279,000, represents an approximate 60 percent increase from the current rate, and was established through the Economic Performance Method (EPM). The EPM utilizes the economic performance of the leasehold determined by percentage rent performance to calculate future annual minimum rent. EPM calculates annual minimum rent by taking the last three year’s average total rent payment and multiplies that average annual rent by 75 percent to determine a new minimum annual rent. The result of the EPM review is a new proposed minimum annual rent of \$277,130.22 per year.

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The proposed reset further includes a flexible minimum monthly and quarterly percentage rent schedule in support of the seasonal nature of the Twenty Second Street’s annual revenue streams. Historically on an annual basis, Twenty Second Street pays a total rental amount significantly above the annual minimum rent but has been required to pay monthly minimum rent in excess of percentage rent generated in the low performance months of October through March. As exists with other seasonally affected leases, it is proposed to provide a variable monthly minimum rent that is lower during quarters of low performance and much higher in the higher performing spring and summer months.

Twenty Second Street has accepted a significant overall increase in annual minimum rent at \$279,000 in exchange for a flexible monthly and quarterly percentage rent schedule. Staff endorses Twenty Second Street’s proposal, which results in a greater annual minimum rent and promotes Twenty Second Street’s economic sustainability. The chart below reflects the adjusted monthly minimum payment and quarterly percentage rent payment schedule.

Month	Monthly Minimum Rent	Notes:
JAN	\$11,000	
FEB	\$11,000	
MAR	\$11,000	+Q1 Percentage Rent (JAN-MAR)
APR	\$33,000	
MAY	\$33,000	
JUNE	\$33,000	+Q2 Percentage Rent (APR-MAY)
JULY	\$36,000	
AUG	\$36,000	
SEP	\$36,000	+Q3 Percentage Rent (JUN-AUG)
OCT	\$13,000	
NOV	\$13,000	
DEC	\$13,000	Q4 Percentage Rent (OCT-DEC)
<b>Total</b>	<b>\$279,000</b>	

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of compensation reset to the Permit with Twenty Second Street and the Harbor Department, 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.

**FINANCIAL IMPACT:**

Approval of the proposed Order resetting compensation will increase minimum annual rent by \$105,038.93, or 60.4 percent, from \$173,961.07 currently to \$279,000 as proposed. Beginning November 27, 2023, annual rent will increase by the annual change in CPI.

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**CITY ATTORNEY:**

The Order resetting compensation under Permit No. 624 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Site Map
2. Order

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* For  
EUGENE D. SEROKA  
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