



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 2, 2025

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - ORDERS
RESETTING COMPENSATION FOR NINE EAST BASIN/CERRITOS
CHANNEL WILMINGTON MARINAS

SUMMARY:

Staff requests approval of the proposed compensation resets Orders for nine marinas located in the East Basin/Cerritos Channel area of Wilmington. The compensation resets are for the five-year period from November 1, 2020, through October 31, 2025. The new Minimum Fixed Rent (MFR) is based on the Economic Performance Methodology (EPM) which determines the marina's minimum fixed rent by calculating 75 percent of each marina's average monthly net receipts for the past three years (2017, 2018, and 2019).

RECOMMENDATION:

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

1. Find that the proposed action is 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. Adopt the Orders resetting compensation for the Wilmington Marinas for the period of November 1, 2020, through October 31, 2025;
3. Authorize the Board Secretary to attest to the Orders resetting compensation; and
4. Adopt Resolution No. _____ and Order Nos. _____

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DISCUSSION:

Background – The City of Los Angeles Harbor Department (Harbor Department) has existing permits with ten Wilmington marina operators in the East Basin/Cerritos Channel (Transmittal 1) which are set to expire on October 31, 2025. The Wilmington Marina complex includes ten marinas and approximately 1,434 slips. These marinas were primarily developed between 1930s and 1950s and were owned and operated by family ownership groups that for the most part are still operating the marinas in third and fourth generations.

	Tenant	Permit No.	Premises (s.f.)
1	California Yacht Marina, L.P.	801	Land: 82,231 Water: 387,705
2	Island Yacht Anchorage I, Inc.	802	Land: 30,465 Water: 27,907
3	Island Yacht Anchorage II, Inc.	825	Land: 0 (POLB) Water: 227,753
4	Lighthouse Yacht Landing, Inc.	803	Land: 24,388 Water: 67,011
5	Marina Ventures Partnership (dba Holiday Harbor)	808	Land: 62,810 Water: 171,513
6	Perel Marinas, Inc. (dba Pacific Yacht Landing)	804	Land: 62,700 Water: 197,192
7	Yacht Centre, Inc.	807	Land: 97,480 Water: 467,166
8	Yacht Haven Marina, Inc.	806	Land: 52,532 Water: 257,650
9	Cerritos Yacht Anchorage, Inc.	805	Land: 29,812 Water: 82,350

The permits listed above allow the use of Harbor Department property for construction, operation, and maintenance of marinas for the berthing of recreational vessels. The current compensation period for these permits began on November 1, 2020, and ended on October 31, 2025. As required by the permits, annual minimum rental compensation for the Wilmington Marinas must now be adjusted retroactively for the five-year period of November 1, 2020, through the expiration of the permit on October 31, 2025.

Under normal circumstances, staff typically would have presented this item to the Board in 2020 as to avoid retroactivity of such adjustment, however, due to numerous complications, including but not limited to: 1) prolonged negotiations with Marina tenants that was originally tied to the compensation reset regarding increasing insurance limits, term extension and capital improvement credit program enhancements; 2) the financial performance of the Marinas resulting in percentage rents paid exceeding minimum rent and thus not accumulating retroactive rent owed to the Harbor Department; and 3) staff resource limitations due to the COVID global pandemic.

In 2015, due to the relatively short term remaining on the permits, significant deferred maintenance, and the additional impact of a 15-year decline in pleasure boating, the marinas experienced an 19 percent decline in gross slip revenues from 2005 to 2014 (\$5,910,067.03 to \$4,814,013.14). Similarly, rent received also declined from \$1,174,733 to \$962,194.

To reduce the impact of the economic decline, the Board approved a new method of calculating the MFR. MFRs are set using the EPM which determines the marina's minimum fixed rent by calculating 75 percent of each marina's average monthly net

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receipts for the past three years (2017, 2018, and 2019). The nine marinas' MFRs will increase between 5.26 percent and 104.22 percent. The compensation reset of the tenth marina (Leeward Bay) is waiting for an executed order from the tenant.

Tenant	Net Receipts			3-Year Average	Annual Minimum	Prior Annual Minimum	% Increase
	2017	2018	2019				
California Yacht Marina, LP.	234,534	238,263	237,425	236,741	177,556	138,800	27.92%
Cerritos Yacht Anchorage, Inc.	61,121	57,864	56,373	58,453	43,840	37,283	17.59%
Island Yacht Anchorage, Inc. (I)	14,775	13,281	15,403	14,486	10,865	8,091	34.27%
Island Yacht Anchorage, Inc. (II)	33,507	41,426	62,919	45,951	34,463	16,876	104.22%
Lighthouse Yacht Landing, Inc.	56,785	55,568	55,151	55,835	41,876	39,784	5.26%
Marina Ventures Partnership, dba	90,175	95,981	94,582	93,579	70,184	58,111	20.78%
Perel Marinas, Inc., dba Pacific Yac	145,077	145,757	146,843	145,892	109,419	95,898	14.10%
Yacht Centre, Inc.	200,582	202,844	194,731	199,386	149,539	134,498	11.18%
Yacht Haven Marina, Inc.	167,980	166,891	176,746	170,539	127,904	89,733	42.54%

To further assist the Marinas with addressing the ramifications of the economic downturn the Wilmington Marina Complex has faced and in addition to revising the method of calculating MFR as identified above; the Board also adopted a financial incentive through rent credit(s) to help Marina tenants fund capital improvements and deferred maintenance. Each marina tenant is eligible to receive rent credit(s) for percentage rent paid above the MFR up to 25 percent of total gross receipts rent paid. To receive rent credits, tenants must evidence documented costs incurred to implement approved capital improvements and/or deferred maintenance. This credit program protects the Port's minimum rent levels while providing an incentive to the tenants to keep the aging Wilmington Marina Complex in commercially reasonable condition.

Compensation Resets – Staff recommends the Board approve the proposed compensation reset Orders for the nine Wilmington marinas (Transmittal 2). Compensation for the marinas is primarily made up of percentage rent charged on slip revenue paid in lieu of minimum rent. An additional percentage rent is charged on other miscellaneous items, but the total amount collected for these collective items is insignificant. All Wilmington Marinas currently pay 20 percent of gross slip revenue to the Port as percentage rent. The chart for the current cumulative annual MFR (\$619,074.00) and proposed MFR (\$765,645.60) for the nine marinas are shown above.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of Orders resetting compensation with nine marinas located in the East Basin/Cerritos Channel in Wilmington, which is an administrative activity. As such, 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.

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FINANCIAL IMPACT:

Approval of the proposed Orders resetting the Minimum Fixed Rent will have no actual financial impact as all nine marinas pay higher percentage rent of 20 percent of gross slip rent. If approved, MFR will only increase the Harbor Department's Minimum Annual Guarantee (MAG) for these marinas from \$619,074.00 to \$765,645.60, an increase of 23.68 percent from the prior MFR.

CITY ATTORNEY:

The proposed Orders have been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Premises Map
2. Orders

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FIS Approval: *JS* (Initials)
CA Approval: *JC* (Initials)

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