



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: APRIL 6, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 884 WITH SAN PEDRO FISH
MARKETS**

SUMMARY:

Staff requests approval of the Order resetting compensation for Permit No. 884 (P884) with San Pedro Fish Markets (SPFM), a wholesale fish market and seafood restaurant. P884 has been on holdover since December 1, 2014 due to ongoing negotiations and developments with the San Pedro Public Market LLC.

Under the proposed Order, effective April 1, 2021, minimum rent would increase by 411 percent from \$6,255.47 per month (\$75,065.62 per year) currently to \$31,973.35 per month (\$383,680.17 per year) in Year 1 with annual increases based upon the Consumer Price Index (CPI) occurring thereafter. Monthly rent will continue to be paid based upon the greater of a percentage of gross receipts or the aforementioned monthly minimum.

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 for the five-year period of April 1, 2021 through March 31, 2026 under Permit No. 884.
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 884; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – P884 grants SPFM the use of City of Los Angeles Harbor Department (Harbor Department) land consisting of approximately 10,500 square feet (sf) and water surface consisting of approximately 15,752 sf in San Pedro (Transmittal 1). The permitted uses include the operation of a wholesale fish market and seafood restaurant that is permitted to serve alcoholic beverages.

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Current Compensation - For the period of December 1, 2014 to present, the fixed minimum annual rent was set at \$75,065.62, paid monthly in the amount of \$6,255.47 with annual CPI escalations. Percentage rent was set at 3.5 percent of gross receipts from all food sales and 5 percent of all other gross receipts. SPFM is also obligated to pay an additional \$16,200 annually (\$1,350 monthly) for the privilege to sell fish wholesale.

Proposed Compensation Reset – The Economic Performance Method utilized 50 percent of the annual average of the 3.5 percent to 5 percent gross receipt rent paid to determine the proposed annual fixed minimum rent. The economic performance methodology for the 2017-2019 compensation period was used to determine the proposed fixed minimum rent. Fifty percent of the monthly average compensation generates the new monthly minimum of \$31,973.35, or \$383,680.17 annually. The proposed compensation reset (Transmittal 2) utilized a higher percentage offset of 50 percent from total percentage rent paid in order to provide a reasonable cushion given the current business loss related to ongoing government restrictions on indoor and outdoor dining capacity related to the Covid-19 pandemic.

Year	Total Gross Receipts	Percentage Rent Paid	Average Monthly Percentage Rent Paid
2017	\$18,615,203.18	\$720,116	\$60,009
2018	\$20,015,849.86	\$779,205	\$64,933
2019	\$20,431,346.33	\$802,760	\$66,896
Total	\$59,062,399.37	\$2,302,081	
Annual Average	\$19,687,466.46	\$767,360.33	
Monthly Average		\$63,946.69	
50% of Monthly Average		\$31,973.35	
Annual Payment		\$383,680.17	

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Order resetting compensation for P884 with SPFM, 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:

Approval of the proposed Order resetting compensation under P884 would result in minimum monthly rent increasing by 411 percent from \$6,255.47 per month currently to \$31,973.35 per month in Year 1. Thereafter, minimum monthly rent would increase by annual changes in CPI. The fixed annual payment of \$16,200 to sell fish on a wholesale basis will remain unchanged and in addition to the \$383,680.17 Year 1 minimum annual rent due under the proposed Order.

Based upon median monthly gross receipts observed over a four-year period from January 2017 through December 2020, proposed minimum Year 1 annual rent of \$383,680.17 would represent approximately 2.2 percent of annual gross receipts.

CITY ATTORNEY:

The Order resetting compensation under Permit No. 884 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: *JS*

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APPROVED:

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BL879fo SPFM Comp Reset