



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: OCTOBER 4, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - RESETTING COMPENSATION UNDER CONCESSION AGREEMENT NO. 796 WITH HOLIDAY HARBOR/FLEITZ BROTHERS, LLC

SUMMARY:

Staff requests approval of the Order resetting compensation under Concession Agreement No. 796 (CA 796) with Holiday Harbor/Fleitz Brothers, LLC (Holiday Harbor) for the use of City of Los Angeles Harbor Department (Harbor Department) property located at Berths 33 and 34 of the West Channel Development Area in San Pedro. CA 796 provides for the construction, operation, and maintenance of a facility for a recreational vessel marina and related uses, including dry storage of vessels and incidental purposes.

The proposed Order resetting compensation covers the ten-year period of January 1, 2018 through December 31, 2027, and resets the Fixed Minimum Rent (FMR) to \$366,711.96 plus a Consumer Price Index (CPI) adjustment effective October 2017. The total annual 2016 compensation was \$477,187.

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 with Holiday Harbor/Fleitz Brothers, LLC for the ten-year period of January 1, 2018 through December 31, 2027;
3. Authorize the Board Secretary to attest to the Order resetting compensation to be paid by Holiday Harbor/Fleitz Brothers, LLC pursuant to Section 4(1) of Concession Agreement No. 796; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – The proposed Order (Transmittal No. 1) resets compensation for Holiday Harbor under CA 796, which has a 50-year term that commenced on August 1, 1998, and terminates on December 31, 2047. The leasehold premises consist of parcel numbers 1, 2, and 3 on Drawing No. 2-2445-1 (Transmittal No. 2) located at Berths 33 and 34 of the

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West Channel Development Area. CA 796 requires that compensation be reset every ten years.

Compensation Reset – Annual compensation is proposed to continue to be made up of FMR or percentage rent, whichever is greater. The rate of percentage rent is proposed to remain the same based upon gross receipts for various activities.

Fixed Minimum Rent - The FMR for the ten-year period of January 1, 2018 through December 31, 2027 uses the Economic Performance Method (EPM) calculation, as illustrated below.

- 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	
2014 Total Rent	\$ 441,994.50
2015 Total Rent	\$ 465,187.43
2016 Total Rent	\$ 477,187.57
Total 3 years	\$1,384,369.50
3-year Average	\$461,456.50
75%	\$346,092.38

- II. If the FMR (\$346,092.38) above is less than prior years FMR (\$366,711.96) adjusted by the October CPI, the new FMR will equal prior year's FMR adjusted by the October CPI.
- III. The new FMR cannot be lower than the preceding year's FMR.

As a result of the above compensation, the FMR will be set at \$366,711.96 plus a CPI adjustment effective October 2017. The CPI adjustment will be calculated following release of CPI data for October 2017, and in no case will the adjustment be less than zero percent. The total annual compensation for 2016 was \$477,187.56.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Order resetting compensation with Holiday Harbor. As an administrative activity, 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:

The proposed Order resetting the FMR, as described herein, is not expected to have a financial impact on the Harbor Department since Holiday Harbor historically exceeded its FMR, and is expected to do so in the foreseeable future.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Order
2. Drawing No. 2-2445

FIS Approval: *MB* (Initials)
CA Approval: *MB* (Initials)



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA *FOR*
Executive Director

MG:ER:HP:KK:RL:raw
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BL696raw Holiday Harbor Comp Reset