



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 23, 2024

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: ORDER NO. _____ – RESETTING COMPENSATION UNDER
PERMIT NO. 724 WITH THE LOS ANGELES YACHT CLUB**

SUMMARY:

Staff requests approval of an Order resetting compensation under Permit No. 724 (P724) with Los Angeles Yacht Club (LAYC) for the five-year period of March 4, 2023, through March 3, 2028. Under the proposed Order, monthly compensation would be retroactively reset to \$3,798.77 per month, or \$45,585.24 per year.

Proposed annual compensation of \$45,585.24 represents an increase of \$2,499.00, or 5.8 percent, relative to the annual compensation of \$43,086.24 in place as of March 3, 2023. Effective March 4, 2024, and annually thereafter, compensation would increase by the year-over-year change in the Consumer Price Index (CPI), subject to a floor of zero percent.

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 period of March 4, 2023, through March 3, 2028, under Permit No. 724;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Order resetting compensation under Permit No. 724; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – Permit No. 724 effective March 4, 1993, grants LAYC the use of Harbor Department land consisting of approximately 15,687 square feet (s.f.) for the construction, operation, and maintenance of a yacht club center with small vessel dry storage in San Pedro (Transmittal 1) for a period of 30 years that would end March 3, 2023. However, in 2017, the Fourth Amendment was approved, and the term of Permit No. 724 was extended by 20 years to March 3, 2043.

Under Permit No. 724, LAYC compensation is subject to a compensation reset every successive five-year period. LAYC's last compensation reset was for the period from

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March 4, 2018, to March 3, 2023, which set annual rent of \$37,351.80 subject to annual CPI increases. The period of March 4, 2023, through March 3, 2028, is currently subject to a compensation reset. LAYC is currently paying a fixed minimum annual rent of \$43,086.24 for land use.

Current Compensation – There are few suitable comparables in the area as LAYC does not have boat slips or a launch ramp and therefore is not comparable to other neighboring yacht clubs such as adjacent Cabrillo Beach Yacht Club, which operates over a 300 slip marina in conjunction with their land-based yacht club operations. LAYC has no significant revenue driver and only derives fees and charges on club members and for use of their club facility to support the daily club operations. Adjacent land-based uses include Double Tree Hotel and 2500 Via Cabrillo office building. Ultimately staff determined based on the percentage rent and visitor serving nature of the Double Tree Hotel that the most relevant comparable property is 2500 Via Cabrillo office building.

Current Land Values of Neighboring Assets

Asset	Annual Comp	Premise (sq.ft.)	Price Sq. ft.
2500 Via Cabrillo	\$ 105,741.85	39,531	\$ 2.67
LAYC	\$ 43,086.24	15,687	\$ 2.75
Proposed Monthly Comp for LAYC with no increase @ \$2.75 – \$3,590.52			

Proposed Compensation – LAYC currently pays a higher per square foot rental rate than 2500 Via Cabrillo office building. Staff proposes to maintain the current annual rental rate subject to continued CPI increases. Therefore, effective March 4, 2023, a 5.8 percent CPI increase would be applied retroactively that increases annual rent from \$43,086.24 to \$45,585.24 per year and a second CPI increase of 2.5 percent would be applied on March 4, 2024, whereby annual rent would be increased from \$45,585.24 to \$46,724.90 per year.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of resetting compensation under P724 with LAYC, 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 will leave annual rent unchanged at \$45,585.24 for the period beginning March 4, 2023. Effective March 4, 2024, and annually thereafter, rent will be adjusted by the year-over-year change in CPI, subject to a floor of zero percent.

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CITY ATTORNEY:

The proposed Order resetting compensation 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: JS (initials)
CA Approval: SO (initials)

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