



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 30, 2016

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

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

SUMMARY:

Staff requests approval for compensation resets for the nine marinas located in the East Basin/Cerritos Channel in Wilmington. The compensation reset is for the five-year period of November 1, 2015 through October 31, 2020, and the new minimum annual rent is based on 75 percent of each marina's average annual gross receipts for the past three years. The nine Wilmington Marinas are California Yacht Marina (P801), L.P.; Cerritos Yacht Anchorage, Inc. (P805); Island Yacht Anchorage I, Inc. (P802); Island Yacht Anchorage II, Inc. (P825); Lighthouse Yacht Landing, Inc. (P803); Marina Ventures Partnership dba Holiday Harbor (P808); Perel Marinas, Inc. dba Pacific Yacht Landing (P804); Yacht Centre, Inc. (P807); and Yacht Haven Marina, Inc. (P806) (collectively, Wilmington Marinas). Leeward Bay Marina, located among the Wilmington Marinas, is not included in the proposed action because it is under a month-to-month revocable permit and will be addressed separately.

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, 2015 through October 31, 2020;
3. Authorize the Board Secretary to attest to the Orders resetting compensation; and
4. Adopt Resolution No. _____ and Order Nos. _____.

SUBJECT: WILMINGTON MARINAS COMPENSATION RESET

DISCUSSION:

Background//Context – In 2001, the City of Los Angeles Harbor Department (Harbor Department) granted 30-year term permits, retroactively effective from 1995 to 2025, to nine marina operators in the East Basin/Cerritos Channel area of Wilmington (Transmittal 1). The Wilmington Marinas consist of approximately 1,434 slips and contain 87 liveaboards. Many of the original revetments and pilings, developed between the 1930s and 1950s, are still in place today (Transmittal 2).

Compensation Resets - Staff recommends the Board approve compensation resets for the Wilmington Marinas. Permits for the Wilmington Marinas require that compensation be reset every five years. The current compensation period for these permits began on November 1, 2010, and ended on October 31, 2015. The proposed reset is for the five-year period of November 1, 2015, through October 31, 2020. The current minimum fixed annual compensation was based on a modified land and water value. This method results in disproportionate minimum rent totals for marinas with larger land footprints even though water area is the primary economic driver for marinas. In many of the marinas, the current method effectively made the fixed rent exceed 20 percent of the gross receipts, stressing marina viability and reducing capital available for maintenance of long-term improvements.

Therefore, staff proposes implementation of the Economic Performance Methodology that is used as the standard in the Harbor Department's San Pedro marinas, and is widely used in Southern California marinas within municipal harbors. The proposed methodology would take the average of the three most recent years of reported gross percentage rent income to arrive at the average annual percentage rent. Seventy-five percent of the average annual percentage rent becomes the new minimum fixed rent. (Transmittal 3, Page 6).

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.

FINANCIAL IMPACT:

The proposed Orders (Transmittal 4) resetting the fixed minimum annual compensation will decrease the Harbor Department's Minimum Annual Guarantee (MAG) for these marinas to \$619,073.52, resulting in a potential loss of annual revenue of \$50,880. The total gross receipts collected for the Wilmington Marinas for Fiscal Year 2014 was \$815,343.

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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. Marina Inspection Photos
3. Wilmington Marinas Reset Supplemental Materials
4. Orders

FIS Approval:  (Initials)
CA Approval:  (Initials)


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

Author: Ray Lepone
BL578cb Wilmington Marinas Comp Resets