



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 30, 2016

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - PERMIT AMENDMENTS TO
ESTABLISH AN IMPROVEMENTS SET ASIDE ACCOUNT FOR NINE
EAST BASIN/CERRITOS CHANNEL WILMINGTON MARINAS**

SUMMARY:

Staff requests approval for permit amendments for nine marinas located in the East Basin/Cerritos Channel in Wilmington. The permit amendments allow for up to 25 percent of each respective marina's percentage rent to be credited to the tenant to be used toward the funding of pre-approved improvement projects within the marina premises. 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 they are on 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 III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the amendments to Wilmington Marinas permits;
3. Direct the Board Secretary to transmit the amendments to the City Council pursuant to Charter Section 606;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the amendments upon approval by City Council; and

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5. Adopt Resolution No. _____.

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).

Permit Amendments - Staff requests the Board approve permit amendments to establish an improvements set aside account for the Wilmington Marinas. The original Wilmington Marina permits required major renovation by the tenants and infrastructure improvements by the Harbor Department. These obligations were incorporated into each permit as a concession for the long-term extension for all marina permits. However, due to the potential of a major channel widening and expanded turning basin to accommodate larger vessels at Berths 206-209, all major modernization proposals and Harbor Department marina improvements were put on hold in 2005 (Transmittal 4). To date, no long-term plan has been established by the Harbor Department. As a result, deterioration of the marinas goes mostly unrectified except for emergency and patch repairs.

Due to the relatively short term remaining on the permits, the deferred renovations by the Harbor Department and tenants, and the additional impact of the 15-year decline in pleasure boating, the marinas have experienced an 18 percent decline in gross revenues from 2005 to 2014 (Transmittal 3, Page 1). While comparable regional marinas have achieved a significant Effective Slip Yield (total monthly slip revenue divided by total lineal footage of the marina) increase since 1989 (between 35 to 75 percent), the Wilmington Marinas Effective Slip Yield has remained stagnant for 25 years.

A similar situation existed in the San Diego Port District in the early 1990s. Their solution to the problem was to lower its north and south marinas' percentage rents by 20 to 25 percent. This reduction enabled operations to gradually improve the overall condition of the marinas and increase demand for slip usage. As a result, the asset value and revenue stream to the San Diego Port District increased (Transmittal 3, Page 7). A similar positive effect may occur for the Wilmington Marinas should the Harbor Department initiate similar measures. Without action to remedy the current situation, it is anticipated that the marinas will continue to deteriorate and the revenue will continue to decline over the remaining term of the permits (Transmittal 3, Page 9).

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Staff recommends the approval of amendments to the Wilmington Marina permits to establish a set aside in the form of a credit equal to 25 percent of the percentage rent toward the funding of pre-approved improvements on the premises, estimated at \$250,000 annually. Funding of these improvements is intended to stem the tide of deterioration and allow the Harbor Department time to evaluate the long-term development plan for the East Basin/Cerritos Channel and Berths 206-209. After completion of the improvements, the marina operator shall submit proof of work and completion in order to receive rent credit. Any credits remaining in the set aside account at the expiration of the five-year term rental period will become null and void (Transmittal 5).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of amendments to permits with nine marinas located in the East Basin/Cerritos Channel in Wilmington to establish improvements set aside accounts, which is an activity involving amendments to permits to use existing facilities involving negligible or no expansion of use. This action does not approve any specific improvement projects. Any such improvements would be assessed separately at the time they are proposed. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The estimated \$250,000 annual set aside amount will be allocated from the Marinas percentage rent for improvement/upgrade projects once the proposed amendments are approved. In the next five years it is anticipated that these investments will add to the marinas' asset value and enable operators to gradually improve the overall condition of the marinas, resulting in increased slip fee revenues to the Harbor Department.

CITY ATTORNEY:

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

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TRANSMITTALS:

1. Premises Map
2. Marina Inspection Photos
3. Wilmington Marinas Reset Supplemental Materials
4. Cerritos Channel Marina Development Concept/Estimates
5. Amendments


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

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


MICHAEL DiBERNARDO
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APPROVED:


EUGENE D. SEROKA
Executive Director

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BL579cb Wilmington Marinas Amendments