



Administrative Report

H.11., File # 26-0262

Meeting Date: 3/3/2026

To: MAYOR AND CITY COUNCIL

From: KATHERINE BUCK, ACTING WATERFRONT & ECONOMIC DEVELOPMENT DIRECTOR

TITLE

APPROVE THE CONSENT TO THE FIRST AMENDMENT OF THE SUBLEASE BETWEEN MAJESTIC KHM, LLC AND BLUEWATER GRILL REDONDO L.P., FOR THE PREMISES AT 665 NORTH HARBOR DRIVE

EXECUTIVE SUMMARY

The City has an existing lease with Majestic KHM, LLC (Lessee) for the premises commonly known as King Harbor Marina. Under the terms of the lease, the Lessee retains the right to negotiate direct subleases to occupy the various tenant spaces and the City retains the right to consent to all subleases. The Lessee has requested the City consent to an amendment to the sublease with Bluewater Grill Redondo L.P. (Bluewater Grill or Sublessee) for the premises located at 665 North Harbor Drive (Sublease Premises). Bluewater Grill is a seafood restaurant that has operated at this location since 2000 and remains a long-standing waterfront tenant. Approval of the Consent to the First Amendment of the Sublease would extend the lease term to March 12, 2032 and have no effect on the amount of ground rent remitted to the City.

BACKGROUND

On December 13, 1971, the City of Redondo Beach entered into a master lease with Marina Cove, Ltd. for the property commonly known as King Harbor Marina. The master lease has been amended multiple times and was assigned to Majestic KHM, LLC in March 2020. On November 9, 2023, the Lessee exercised a five-year option to renew the master lease, extending the term to March 12, 2032.

The lease allows for portions of the leasehold property to be subleased; however, the Lessee is required to obtain City consent for all subleases, amendments to subleases, and assignments. On October 17, 2000, the City consented to the assignment of the sublease for the premises located at 665 North Harbor Drive to Bluewater Grill. The current sublease term for Bluewater Grill expires on March 12, 2027.

The proposed First Amendment extends the sublease term to March 12, 2032, aligning the sublease term with the extended master lease term. The amendment also revises the minimum guaranteed rent, modifies the percentage rental provisions between Majestic KHM and Bluewater Grill, updates real estate tax responsibilities, establishes interior remodel requirements, and amends insurance and related administrative provisions. The City collects 3.5% of the gross revenue generated by the restaurant. There is no change to this provision as a result of the new sublease. Blue Water has been a successful waterfront tenant for many years. Extending Blue Water's term is a benefit to the

City.

COORDINATION

The Consent to the First Amendment of the Sublease was reviewed and approved as to form by the City Attorney's Office.

FISCAL IMPACT

Approval of the recommended Consent to the First Amendment of the Sublease would result in a monthly rent payment of \$15,416.67 to Majestic KHM, LLC. The City receives 3.5% of the restaurant's gross revenue, totaling approximately \$230,000 per year. The revenue accrues to the City's Uplands Fund.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Agmt - City Consent to the First Amendment of Sublease - Bluewater Grill Redondo L.P.
- Agmt - First Amendment between Majestic KHM, LLC (Master Leaseholder) and Bluewater Grill Redondo L.P. (Sublessee)