Administrative Report

H.18., **File #** 26-0918 **Meeting Date:** 8/4/2026

To: **MAYOR AND CITY COUNCIL**

From: ELIZABETH HAUSE, WATERFRONT AND COMMUNITY SERVICES DIRECTOR

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2608-065, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO QUALITY SEAFOOD, INC.

APPROVE A LEASE WITH QUALITY SEAFOOD, INC. FOR THE PROPERTY LOCATED AT 100-130 INTERNATIONAL BOARDWALK FOR THE TERM MAY 1, 2026 THROUGH JUNE 30, 2036

EXECUTIVE SUMMARY

Quality Sea Food. Inc. (Quality Seafood) has been a fixture on the Redondo Beach Pier for more than seventy years and is one of the Harbor's longest-operating businesses. The tenant currently occupies approximately 10,499 square feet on the International Boardwalk under lease agreements originally executed in 1991 and 1995, both of which have expired. While negotiations were underway, the tenant continued operating on a month-to-month basis.

The proposed lease modernizes and consolidates the prior agreements into a single lease that better reflects current market conditions. The lease establishes a ten-year initial term, requires a minimum private investment of $500,000 in storefront and facility improvements, incorporates the occupation and use of an additional 420 square feet of space, and provides for annual rent increases. Lease revenue will accrue to the Harbor Uplands Fund. The proposed lease preserves one of the Harbor's legacy businesses; secures substantial private investment in the International Boardwalk; and, significantly updates critical lease provisions that have remained largely unchanged for more than three decades.

BACKGROUND

Quality Sea Food has operated on the Redondo Beach Pier for more than seventy years and is widely recognized as one of the Harbor's most popular and longstanding businesses. The tenant currently occupies approximately 10,499 square feet at 100-130 International Boardwalk, consisting of a seafood market, restaurant, ground floor and upper-level dining areas, and storage space. The existing lease agreements, originally executed in 1991 and 1995, have expired, and the tenant has continued operating on a month-to-month basis during negotiations of a comprehensive replacement lease.

The proposed lease replaces the prior agreements with a single, modern lease that reflects contemporary leasing practices, establishes updated maintenance and operational standards, expands the tenant’s footprint, and provides a framework for continued investment in the property. The lease provides for an initial term commencing May 1, 2026 and running through June 30, 2036, with two optional five-year extension terms, subject to mutual agreement on future lease terms and continued tenant compliance with the lease.

The lease establishes a minimum monthly rent of $26,180, increasing by three percent annually, or 7.25% of monthly gross sales, whichever is greater. This is an increase from the existing monthly minimum rent of $18,889, or 6.5% of monthly gross sales, whichever is greater. In addition, the tenant will continue to pay its proportionate share of common area maintenance expenses and other operating costs associated with the International Boardwalk. These provisions help ensure the City receives stable base revenue while allowing additional revenue to be realized as the business grows.

A significant component of the proposed lease is the tenant's commitment to reinvest in the property. The lease requires construction of storefront improvements to commence upon execution and requires the tenant to invest a minimum of $500,000 during the first three years of the lease, with all required storefront improvements completed within the first five years. Required improvements include replacement of aging signage, tables, exterior lighting, roll-up doors, seating, flooring, exterior finishes, utility screening, and other improvements intended to improve both the appearance and long-term condition of the International Boardwalk.

Recognizing the City's long-term vision for revitalization of the Harbor, the lease also preserves the City's flexibility by allowing termination upon twelve months' written notice after the initial lease term if necessary to facilitate future redevelopment activities. This provision balances the tenant's long-term business investment with the City's ability to implement future Harbor improvements. The lease includes a personal guarantee and a security deposit equal to one month's minimum rent.

COORDINATION
The proposed Resolution and Lease Agreement were reviewed and approved as to form by the City Attorney’s Office.

FISCAL IMPACT
Revenue generated by the lease will accrue to the City's Harbor Uplands Fund. The lease provides minimum annual rental revenue of $314,160 during the first year, with annual 3% increases to the minimum rent throughout the lease term. Because the City will receive the greater of the minimum rent or 7.25% of monthly gross sales, lease revenue is likely to exceed the guaranteed minimum. Based on prior year performance, staff estimates an additional $75,000 in annual revenue due to the increase in the shared gross percentage rent provision. In addition to rental revenue, the tenant is responsible for its proportionate share of common area maintenance expenses and has committed to invest at least $500,000 in capital improvements to the property during the initial three years of the lease.

APPROVED BY:
Mike Witzansky, City Manager

ATTACHMENTS
- Reso - No. CC-2608-065 Leasing Certain Property to Quality Sea Food, Inc.
- Agmt - Proposed Lease Between the City of Redondo Beach and Quality Sea Food, Inc.