



# Administrative Report

H.7., File # 21-2084

Meeting Date: 2/16/2021

**To: MAYOR AND CITY COUNCIL**

**From: STEPHEN PROUD, WATERFRONT & ECONOMIC DEVELOPMENT DIRECTOR**

## **TITLE**

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2102-014, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO KM INC. DBA TRADEWINDS, A CALIFORNIA CORPORATION

APPROVE A LEASE WITH KM INC. FOR THE PREMISES AT 142 AND 144 INTERNATIONAL BOARDWALK FOR A MONTHLY AMOUNT OF \$3,172.50 FOR THE TERM FEBRUARY 16, 2021 - FEBRUARY 16, 2022

## **EXECUTIVE SUMMARY**

In July 2012, the City purchased the International Boardwalk leasehold and began the process of direct leasing to various tenants. This leasehold includes a narrow linear development of approximately 17,200 square feet. The City has negotiated a lease with Tradewinds for the space at 142 International Boardwalk, which is approximately 1200 rentable square feet and the space at 144 International Boardwalk which is approximately 210 rentable square feet for a total of 1,410 square feet,

The proposed lease is for a three-year term with the City retaining the option to terminate the lease with a twelve (12) month prior written notice. Rental to the City's Harbor Uplands Fund will amount to the greater of the minimum monthly rent of \$3,172.50, or 10% of gross sales.

## **BACKGROUND**

In July 2012, the City purchased the International Boardwalk leasehold and began the process of entering into direct leases with various tenants. The International Boardwalk is comprised of a very narrow and linear development along the east side of the Redondo Beach Marina - also referred to as Basin III. The approximately 17,200 square feet of space is almost entirely prepared for retail and food and beverage uses.

Tradewinds is a retail beach boutique that specializes in high quality Redondo Beach apparel, beach supplies and home décor. Tradewinds has been a long-term tenant of the Boardwalk and in September 2019 expanded their retail operation to occupy the two locations listed above. They have been operating with two separate month-to-month leases for the spaces and have requested a new lease that consolidates the spaces into a single lease.

The proposed lease carries a three-year term with a minimum monthly rental amounting to \$3,172.50, or approximately \$2.25 per square foot, which is consistent with other similar retail leases in the waterfront and broader market. The monthly rent paid to the City will be the greater of the base rent of \$3,172.50 or 10% of gross sales. Under the lease, Tenant accepts the property "as is" with no further cost to the City. The City will retain the right to terminate the lease with a twelve-month written notice. Tenant John Kukawsky will remain

as personal guarantor on the lease.

### **COORDINATION**

The Waterfront and Economic Development Department collaborated with the City Attorney's Office on this report. The City Attorney's Office has approved the document as to form.

### **FISCAL IMPACT**

Lease revenue from the property will accrue to the City's Harbor Uplands Fund. The proposed lease will result in a minimum monthly rent of \$3,172.50 with an annual minimum of \$38,070. Over the three-year term of the lease, revenue to the Uplands Fund will be a minimum of \$114,210.

### **APPROVED BY:**

*Joe Hoefgen, City Manager*

### **ATTACHMENTS**

- Resolution No. CC-2102-014
- Lease Between the City of Redondo Beach and KM Inc.