Administrative Report

H.14., **File #** 25-1419 **Meeting Date:** 10/21/2025

To: **MAYOR AND CITY COUNCIL**

From: GREG KAPOVICH, WATERFRONT & ECONOMIC DEVELOPMENT DIRECTOR

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2510-079, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO 211 CRYSTAL COVE APTS, LLC, A DELAWARE CORPORATION

APPROVE A GROUND LESSOR ESTOPPEL CERTIFICATE AND AN AMENDMENT TO THE LEASE TO INCLUDE A NON-MERGER CLAUSE FOR 211 CRYSTAL COVE APTS, LLC

EXECUTIVE SUMMARY

The 211 Crystal Cove Apartments, LLC is in the process of refinancing their existing mortgage loan. Pursuant to the terms of the Lease between the City of Redondo Beach (Landlord) and 211 Crystal Cove Apartments, LLC (Lessee), prior to execution of a new loan agreement, the City as Landlord must execute and deliver a Ground Lessor Estoppel Certificate, which confirms the status of the lease for the lender on items such as rent payments, the amount of tenant deposits, and whether there are any outstanding lease violations. This Estoppel Certificate is being requested as part of the Lessee's effort to refinance its existing debt. No new debt (cash-out) is being issued as part of the re-financing.

As an additional condition of the refinancing, the lender providing the refinancing opportunity to the Lessee requires that the Ground Lease be amended to insert a non-merger clause, which is commonly found in financeable ground leases to ensure that the leasehold and fee interests remain legally distinct.

City staff have reviewed the payment history for the Crystal Cove Apartments, which is contained in the Lease with 211 Crystal Cove Apartments, LLC, and confirmed that the Lessee is current with all lease requirements. In addition, the City's outside legal counsel prepared the proposed Ground Lease Amendment to include a non-merger clause, which has been reviewed by the City Attorney's Office. At this time, staff recommends the Council approve both the Estoppel Certificate and Amendment to the Ground Lease.

BACKGROUND

211 Crystal Cove Apartments, LLC is the current leaseholder of the property located at 211 Yacht Club Way. The leasehold is located west of North Harbor Drive and is bounded by the border of Hermosa Beach and Redondo Beach to the north, and King Harbor Marina to the south. The property includes Crystal Cove Apartments, leased office space and the Charthouse Restaurant. The

City entered into the Master Lease in 2007 with RG/Bascom Harbor Cove Apartments LLC which was then assigned to The Kobe Group in 2008, followed by the assignment of the leasehold to 211 Crystal Cove Apartments, LLC in October 2018.

Under the terms of the 2007 lease, the Lessee may request that the City provide a Ground Lessor Estoppel Certificate which certifies that the Lessee is in good standing with the lease requirements. The most recent Estoppel Certificate for the Lessee was approved by the City Council in November 2018, which enabled the Lessee to finalize a loan to refinance the lease. 211 Crystal Cove Apartments, LLC is undergoing another loan refinancing process and has proposed a new Estoppel Certificate to support the Lessee's refinancing of existing debt.

As part of this refinancing, an amendment to the Ground Lease is also required to incorporate a non-merger clause, which prevents the automatic combination of a leasehold interest (the right to occupy the property) with the fee simple ownership (the right to own the property) if the property is ever acquired by the same person or entity. This protects the lenders security interest in the leasehold even if the Lessee were to acquire the property from the City, which given the Tidelands location of the property could never occur. It also maintains rights for subtenants, in that it ensures any subleases are not automatically terminated if the tenant and landlord interests were to merge. No other changes to the existing lease are proposed with this amendment.

Staff from the City Attorney's Office and the Waterfront and Economic Development Department have confirmed that the Lessee remains in compliance with all lease obligations and have worked with the City's real estate attorney to prepare the proposed Ground Lessor Estoppel Certificate and Amendment to the Ground Lease.

COORDINATION

The Waterfront and Economic Development Department collaborated with the City Attorney's Office on this item. The City Attorney's Office, with assistance from outside legal counsel, prepared the Estoppel Certificate and the proposed Amendment to the Ground Lease.

FISCAL IMPACT

Approval of the Ground Lessor Estoppel Certificate does not have a direct financial impact on the City, as there is no cash-out associated with the refinancing. However, the transaction would allow 211 Crystal Cove Apartments, LLC to obtain financing that is critical to maintaining property operations.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Reso - No. CC-2510-079 Leasing Certain Property to 211 Crystal Cove Apartments LLC
- Agmt - First Amendment to the Lease between the City of Redondo Beach and 211 Crystal Cove Apartments LLC, November 19, 2019
- Agmt - Proposed Second Amendment to the Lease between the City of Redondo Beach and 211 Crystal Cove Apartments LLC
- Proposed Ground Lessor Estoppel Certificate