



Administrative Report

H.4., File # 22-3834

Meeting Date: 5/10/2022

To: MAYOR AND CITY COUNCIL

From: GREG KAPOVICH, WATERFRONT AND ECONOMIC DEVELOPMENT DIRECTOR

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2205-027, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO CALIFORNIA LOCAL, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

APPROVE THE LEASE WITH CALIFORNIA LOCAL, LLC FOR A RESTAURANT USE FOR THE PREMISES AT 245 NORTH HARBOR DRIVE FOR A MONTHLY MINIMUM RENT OF \$11,032 AND A TERM OF MAY 10, 2022 THROUGH MARCH 9, 2028

EXECUTIVE SUMMARY

In May, 2014 the City of Redondo Beach (“the City”) completed its purchase of the Redondo Beach Marina leasehold, which includes restaurant and retail buildings, a small marina, a large surface parking lot and a public boat hoist. The building at 245 North Harbor Drive (“Premises”), which consists of approximately 6,266 square feet of indoor building and outdoor patio space, was occupied by Ruby’s Diner from 1991 through October, 2020.

The proposed lease with California Local, LLC (“Tenant”) is for a restaurant specializing in Coastal California cuisine for a 70-month (5 year) term. The City has the sole right to terminate the lease with twelve months prior written notice following the first year of the agreement. The lease rent will be \$1,000 per month for the initial ten (10) months of term, or when the Tenant opens for business, whichever is earlier, to allow the Tenant time to complete improvements to the building. Following the 10-month “remodel” period, the monthly minimum rent will increase to \$11,032, or 8% of gross sales, whichever is greater. The lease also includes annual rent increases of 3%.

BACKGROUND

In May 2014, the City purchased the Redondo Beach Marina leasehold and began the process of entering into direct leases with various tenants. The leasehold is comprised of stand-alone restaurant pads, a marina, a large surface parking lot, and a public boat hoist to access King Harbor. The building located at 245 North Harbor Drive has been vacant since October, 2020 when Ruby’s Diner closed due to a combination of declining restaurant sales and increasing operational costs.

The City’s leasing agent BC Urban started marketing the Ruby’s site in early 2021. The leasing team reached out to over 50 restaurant groups and individual operators, both local and national, that represented various types of cuisine including another Ruby’s operator. After substantive discussions with a dozen restaurant companies, BC Urban entered into negotiations with a short list of

prospective owners/operators. The California Local group was selected due to its long-standing and successful business history in Redondo Beach, its strong ties to the community, and willingness to make a substantial investment in the restaurant for only a 70-month lease term with early termination language.

California Local, LLC, which is a group of local members of the business community and senior members of Quality Seafood, is seeking a lease for the space at 245 North Harbor Drive to open a restaurant that will be unique to the area. It is anticipated that Jeff Jones of Quality Seafood will be the Operating Partner/Manager for the group. The Quality Seafood members bring almost 70 years of local restaurant experience to the proposed lease concept. California Local intends to provide a laid-back casual Coastal California dining experience. While the menu is currently being developed, the focus is on wood-grilled meats, wood-fired pizza, fresh salads, sandwiches, and appetizers all served in an environment that is friendly to families, locals, and visitors who are looking for a connection to the waterfront. The name of the restaurant has not yet been finalized.

The proposed lease carries a 70-month term. The City will have the sole right to terminate the lease with twelve months prior written notice, after the initial 12 months of term. During the initial occupancy period, the Tenant will pay a reduced rent of \$1,000 (the first ten (10) months or until the restaurant is open for business, whichever is earlier) and will pay their share of common area maintenance fees. The monthly minimum rent will then increase to \$11,032, or 8% of gross sales, whichever is greater and will be increased by 3% each anniversary of the May 10 Commencement Date.

The total building square footage of approximately 6,266 square feet is comprised of approximately 4,766 interior square feet and 1,500 square feet of current outdoor patio space. The Tenant desires to expand the exterior space for dining use so guests can enjoy the scenery and sunsets. There will be a \$1 per square foot charge for the expanded area when built. The Tenant will be required to obtain approval from the City for any expansion plans in addition to obtaining any associated licenses, and permits from any required or necessary agencies including the City of Redondo Beach.

In addition to the minimum and percentage rent, the Tenant will pay for its share of expenses of operating, maintaining and repairing the common area of the Redondo Beach Marina. The Lease will have a corporate guaranty and a required security deposit of \$11,032 that will be kept on file.

Since the interior and exterior of the former Ruby's Diner site requires substantial rehabilitation, California Local intends to invest upwards of \$500,000 into the property. The Tenant is aware of the potential impact the BeachLife Festival could have on its business, but is confident they can work collaboratively with the festival producer to minimize disruption.

COORDINATION

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

FISCAL IMPACT

Lease revenue from the property will accrue to the City's Harbor Uplands Fund. The Tenant's rent will be \$1,000 during the initial remodel period, which is the earlier of ten (10) months after May 10, 2022 or when the restaurant opens. Once the restaurant is operational, the monthly minimum rent

will increase to \$11,032, or 8% of gross sales, whichever is greater, resulting in a minimum annual total of \$132,384. Annual increases of 3% over the five-year term will result in revenue to the Uplands Fund of approximately \$703,000.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Resolution No. CC-2205-027
- Lease between the City of Redondo Beach and California Local, LLC