



Administrative Report

H.16., File # 21-2569

Meeting Date: 6/1/2021

To: MAYOR AND CITY COUNCIL

From: STEPHEN PROUD, WATERFRONT & ECONOMIC DEVELOPMENT
DIRECTOR

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2106-049, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO SUNRISE-HARBOR, LTD.

APPROVE THE 1st AMENDMENT TO THE MASTER LEASE BETWEEN THE CITY OF REDONDO BEACH AND SUNRISE-HARBOR, LTD, A CALIFORNIA LIMITED PARTNERSHIP, FOR THE LEASEHOLD COMMONLY KNOWN AS THE REDONDO BEACH HOTEL TO REMOVE THE REQUIREMENT FOR THE FURNITURE FIXTURES AND EQUIPMENT FUND

EXECUTIVE SUMMARY

In December 2013, the City executed a lease with Sunrise-Harbor Ltd. ("Lessee") for the leasehold commonly referred to as The Redondo Beach Hotel. Lessee is seeking a First Amendment to the lease to remove the requirement for a Furniture, Fixtures, and Equipment ("FF&E") Fund and to release the current fund balance back to the Lessee.

BACKGROUND

In December 2013, the City executed a lease with Sunrise-Harbor Ltd. ("Lessee") for the leasehold commonly referred to as The Redondo Beach Hotel, located at 400 N. Harbor Dr, on the northeast corner of Harbor Drive and Beryl Street. The hotel occupies a site that is approximately 2.31 acres and the hotel is comprised of 112 guest rooms and suites. The leasehold provides rent revenue to the Harbor Uplands Fund and Transient Occupancy Taxes ("TOT") to the City's General Fund.

When the lease was executed with the City, it contained a provision that the Lessee maintain three different funds to ensure the property remain well maintained and under periodic renovations. The three funds are a Capital Improvement Fund, a Renovation Fund, and a Furniture, Fixtures and Equipment ("FF&E") Fund. While the Capital Improvement and Renovation Funds are standard lease provisions for properties throughout the Waterfront, the FF&E Fund is a unique requirement of the Sunrise-Harbor leasehold.

Recently, the Lessee requested and City Council granted the use of the FF&E Fund balance to cover financial deficits/operating shortfalls associated with the impact of the COVID-19 pandemic on the hotel. After further review of the Lease, it has been determined that additional cashflow pressure could be relieved by eliminating the FF&E Fund requirement, which states that 3% of total Gross

Receipts from the previous year must be deposited into the FF&E Fund.

The proposed First Amendment to the Lease would eliminate the FF&E Fund requirement - which is unique to this leasehold - and release the existing fund balance back to the Lessee. All other terms of the Lease remain in full force and effect.

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

Elimination of the FF&E Fund requirement from the Lease will not have a fiscal impact on the City. Under the terms of the lease the City collects as rent the greater of the base rent or a percentage of gross sales. The FF&E Fund does not have an impact on either of these calculations.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

- Lease between the City of Redondo Beach and Sunrise-Harbor Ltd
- 1st Amendment to the Lease between the City of Redondo Beach and Sunrise-Harbor Ltd
- Resolution No. 2106-049