

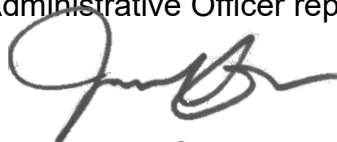
0150-13059-0000

TRANSMITTAL

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 10/1/2025	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**RESOLUTION NO. 25-10594 AND PROPOSED SUCCESSOR PERMIT NO. 942 BETWEEN
THE HARBOR DEPARTMENT AND LA SKY HARBOR, LLC DBA DOUBLETREE BY
HILTON HOTEL FOR THE OPERATION OF A HOTEL AT 2800 VIA CABRILLO MARINA IN
SAN PEDRO**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



MAYOR
(Jenny Delwood for)

Attachment

MWS:PJH/JVW:JAS:10260072t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 29, 2025

CAO File No. 0150-13059-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer 

Reference: Correspondence from the Harbor Department dated August 28, 2025; Resolution No. 25-10594 from the Board of Harbor Commissioners adopted at its August 28, 2025 meeting; referred by the Mayor for a report on August 29, 2025

Subject: **RESOLUTION NO. 25-10594 AND PROPOSED SUCCESSOR PERMIT NO. 942 BETWEEN THE HARBOR DEPARTMENT AND LA SKY HARBOR, LLC DBA DOUBLETREE BY HILTON HOTEL FOR THE OPERATION OF A HOTEL AT 2800 VIA CABRILLO MARINA IN SAN PEDRO**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 25-10594 authorizing approval of proposed successor Permit No. 942 with LA Sky Harbor, LLC, DBA DoubleTree by Hilton Hotel San Pedro, with a 50-year term effective upon execution, for the operation of a hotel on 8.1 acres at 2800 Via Cabrillo Marina in San Pedro, which:
 - a. increases the fixed minimum annual rent by \$145,031.67, from \$284,556.33 to \$429,588,
 - b. increases the square footage by 42,350 square feet or 0.97 acres, from 310,583 square feet or 7.13 acres to 352,933 square feet or 8.1 acres, and
 - c. changes the calculation of percentage rent from being based on sales of Rooms and Food and Beverage to a fixed percentage of: Rooms – five percent, Food and Beverage – five percent, Retail Sales – three percent, Vehicle Parking – twenty percent, and increases the percentage rent from the Sale of Vessels/Yacht Brokerage by nine percent, from one percent to ten percent;
2. Adopt the August 28, 2025 Board of Harbor Commissioners findings that the proposed action is categorically exempt from the requirements of California Environmental Quality Act (CEQA) under Article III, Class 1(14) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Harbor Department Executive Director, or designee, to execute the proposed Permit, already approved as to form by the City Attorney, and return the Resolution to the Harbor Department for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its August 28,

2025 Resolution No. 25-10594 (Attachment 1) which authorizes the approval of proposed successor Permit No. 942 (Permit 942) to Permit No. 520 between the Los Angeles Harbor Department (Harbor Department) and LA Sky Harbor, LLC (LASH), DBA DoubleTree by Hilton Hotel San Pedro (DoubleTree). Permit No. 520 has approximately twenty-one years remaining on its 59-year term, which was executed on September 3, 1987 and expires November 26, 2046. Due to financial issues, the DoubleTree has been transferred multiple times prior to LASH acquiring the property and assuming Permit No. 520 in February 2013. To ensure the hotel meets Hilton's improvement requirements to continue licensing the Hilton brand, LASH needs to refinance the property to complete capital improvements, and their lender requires a 50-year lease agreement to refinance the mortgage.

Proposed Permit 942 is for a 50-year term, effective upon execution, for the use of 8.1 acres of Harbor Department property located at 2800 Via Cabrillo Marina in San Pedro to continue operating an existing hotel. Proposed Permit 942 increases the fixed minimum annual rent by \$145,031.67, from \$284,556.33 to \$429,588, subject to annual changes in the Consumer Price Index (CPI) and compensation resets every fifth year based on economic performance. LASH will pay percentage rent equivalent to the amount, if any, by which the cumulative total percentages of the gross receipts exceed the minimum monthly rent payable. LASH proposes investing \$10 million to renovate the DoubleTree hotel to improve its appeal and revenue and meet Hilton's renovation requirements. All other terms and conditions of Permit No. 520 will remain the same in proposed successor Permit 942.

The Office of the City Attorney has reviewed and approved the Amendment as to form. Pursuant to Charter Section 606 and 607(a), Permit 942 is subject to Council approval by a two-thirds vote due to the cumulative term of the Permit exceeding thirty years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On August 26, 1987, the Board approved Order No. 5651 to authorize Permit No. 520 with Marina Cabrillo Company, a joint venture between California Coast Development Group, Inc., and Galletti Enterprises, a California General Partnership for the development of the DoubleTree in the West Channel/Cabrillo Beach Recreational Complex in San Pedro. The DoubleTree was opened for business as a hotel and restaurant in September 1989. Since then, the Permit has been amended and assigned on numerous occasions. The construction lender foreclosed on the property due to the recession of the 1990s. The hotel lost its Hilton flag on two separate occasions under different permit holders, due to market conditions and the prior permit holders' inability to make the capital upgrades required by Hilton. Permit No. 520 was for a term of fifty years, from September 3, 1987 through September 2, 2037. On December 3, 1996, Council approved the November 27, 1996 Board action (Order No. 6483) to authorize the Sixth Amendment to Permit No. 520 which assigned the permit to a new corporation with a term extension expiring on November 26, 2046.

LASH acquired the DoubleTree property, and on February 27, 2013, the Board approved the assignment of Permit No. 520. LASH requested a lease extension, but it was expressed that they needed to establish a good track record with the property before an extension would be considered. LASH invested over \$6 million to significantly improve the property's appearance,

occupancy, and cash flow, making it the most successful operator of the DoubleTree since it opened. On November 5, 2019, the Board instructed staff to proceed with negotiations for a successor permit, but they were delayed due to the pandemic.

LASH is proposing to invest \$10 million to renovate the DoubleTree hotel to meet Hilton's renovation standards to maintain their flag. The proposed capital improvements are anticipated to attract more visitors and increase occupancy and revenue. All improvements are owned and maintained by LASH at their own expense. LASH's lender has reserved \$10 million for the renovations subject to LASH obtaining a 50-year permit for the property from the Harbor Department. If LASH does not begin renovations soon, it may lose its flag, which would create severe consequences for LASH and the Harbor Department.

Premises – LASH operates the DoubleTree on approximately 8.1 acres or 352,933 square feet of land on Harbor Department property located at 2800 Via Cabrillo Marina in San Pedro. The hotel consists of 226 rooms, a restaurant, swimming pool, fitness facility, and related commercial/banquet facilities. See Figure 1 below.

Figure 1: LA Sky Harbor – DoubleTree Hotel in the Port of Los Angeles



Note: Picture not to scale, refer to Transmittal 1 in Attachment 1 for actual picture.

Proposed Successor Permit No. 942 (Permit 942) – Proposed Permit 942 is a new permit that will replace Permit No. 520, which expires on November 26, 2046. Proposed Permit 942 will be for a 50-year term, effective upon execution, for the continued operation of the DoubleTree hotel in San Pedro, with the expectation of major renovations to meet Hilton requirements. Increased rent revenue is detailed later in this report. Square footage of the property will increase due to the addition of common area and parking lot by 42,350 square feet or 0.97 acres, from 310,583 square

feet or 7.13 acres to 352,933 square feet or 8.1 acres. Under the proposed Permit, if CPI ceases to be published as a measuring metric, or if there is a hotel brand change to another first-class hotel of similar or better quality, the Board rather than the Executive Director will determine and approve the changes. All other terms and conditions of Permit No. 520 will remain the same in proposed successor Permit 942.

Increased Rent Revenue – Proposed Permit 942 increases LASH's fixed annual minimum rent by \$145,031.67, from \$284,556.33 to \$429,588, subject to annual changes in the Consumer Price Index (CPI) and compensation resets every fifth year based on economic performance. LASH will pay percentage rent equivalent to the amount, if any, by which the cumulative total percentages of the gross receipts exceed the minimum monthly rent payable. The calculation of percentage rent will change from being based on sales of Rooms and Food and Beverage to a percentage of each of the following: Rooms – five percent, Food and Beverage – five percent, Retail Sales – three percent, and Vehicle Parking – twenty percent. The Sale of Vessels/Yacht Brokerage will increase by nine percent, from one percent to ten percent. Percentage rent for Office Rental, Vessel Insurance Brokerage, Vending Machine Commission, and All Other Revenues remain the same as in Permit No. 520.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On August 28, 2025, the Board determined that the proposed action of approving Permit 942 to operate a hotel using an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

The Office of the City Attorney has reviewed and approved proposed Permit 942 as to form. Pursuant to Charter Section 606 and 607(a), Permit 942 is subject to Council approval by a two-thirds vote due to the cumulative term of the Permit exceeding thirty years. Our Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

There is no impact on the City's General Fund. Approval of proposed successor Permit No. 942 between the Harbor Department and LASH will increase the fixed minimum annual rent by \$145,031.67, from \$284,556.33 to \$429,588, subject to annual changes in the Consumer Price Index and compensation resets every fifth year based on economic performance. LASH will pay percentage rent equivalent to the amount, if any, by which the cumulative total percentages of the gross receipts exceed the minimum monthly rent payable. Revenues will be deposited in the Harbor Revenue Fund. The recommendations in this report and proposed actions comply with the Department's Financial Policies.

Attachment 1 – Harbor Department Correspondence dated August 28, 2025; Harbor report and proposed Resolution No. 25-10594 dated August 14, 2025, and proposed Permit No. 942