



Caring for Our Coast

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August 12, 2020

TO: Each Supervisor
FROM: Gary Jones, Director 
SUBJECT: **ECONOMIC RELIEF MEASURES (MARINA DEL REY)**

SUMMARY

On April 14, 2020, the Board of Supervisors (Board) delegated authority to the Director of the Department of Beaches and Harbors (DBH) to implement certain economic relief measures to assist the County's lessees in Marina del Rey (Marina Lessees) in dealing with pandemic-related economic impacts. Your Board also directed DBH to report back in 120 days regarding: (1) economic relief measures that have been implemented to date, and (2) recommendations for further economic relief measures, if appropriate.

As discussed below, the County has implemented an eviction moratorium, which allows commercial tenants (including the Marina Lessees) to defer payment of rent due to COVID-19 impacts. DBH has also implemented its own rent deferral formula and allowed the Marina Lessees certain flexibility in the use of funds collected pursuant to their leases. As the pandemic and related business closures continue, DBH recommends that these economic relief measures be extended, and that additional measures be implemented to assist those Marina Lessees who operate hotels or restaurants pursuant to direct leases with the County (Hospitality Lessees), to include waivers of minimum rent where percentage rents are lower than the minimum rent.

EXISTING ECONOMIC RELIEF MEASURES

Countywide Eviction Moratorium:

On April 14, 2020, the Los Angeles County Board of Supervisors (Board) issued an executive order which amended prior orders on the temporary rent freeze and moratorium on evictions in parts of Los Angeles County in response to the coronavirus/COVID-19 health emergency. The order expanded the temporary eviction moratorium to cover all residential and commercial tenants in Los Angeles County (including the Marina Lessees), except those who live or conduct business in cities that have already enacted



their own eviction moratoria. The moratorium period, retroactive from March 4 to May 31, was subsequently extended by your Board (via several Board actions) to September 30, 2020. Your Board has indicated it will continue to reevaluate the need for further extensions every 30 days.

The Countywide moratorium includes a ban on evictions for: (1) nonpayment of rent, late charges, interest, or any other fees accrued if the tenant has been financially impacted by the COVID-19 health emergency; (2) no fault reasons, such as owner/relative move-in or Ellis Act evictions; or (3) violations due to additional occupants, pets or nuisance related to COVID-19. Commercial tenants with nine employees or fewer and residential tenants shall have 12 months following the end of the moratorium period to repay any amounts due. Such tenants may provide a self-certification of inability to pay rent, and are required to provide notice to the landlord to this effect within seven days from the rent due date. The order also prohibits landlords from imposing any new passthroughs or charging interest or late fees for unpaid rent during the moratorium period, attempting to collect interest and late fees incurred during the moratorium period after the executive order is terminated for renters, or harassing or intimidating tenants who choose to exercise their protections under the moratorium. Commercial tenants with ten or more, but fewer than 100, employees have six months to repay their landlords for any amounts due, in equal installments, unless the commercial tenant and landlord agree to an alternate payment arrangement. This repayment shall begin at the conclusion of the moratorium period, as it may be further extended by the Board. Tenants and landlords are encouraged to agree on a payment plan during the moratorium period. Commencing on June 1, 2020, commercial tenants that are multi-national, publicly-traded, or have more than 100 employees, are excluded from the protections of this eviction moratorium (although such tenants who are Marina Lessees may still take advantage of the Marina-specific rent deferral formula discussed below).

Economic Relief Measures for Marina Lessees:

Commencing immediately after the Board's initial stay at home order and eviction moratorium, DBH has been in close contact with the Marina Lessees and the County's beach concessionaires to inform them of the tenant protections and economic relief measures available to their tenants and themselves and to act as a liaison with the Department of Public Health (DPH) to assist them in reopening their business operations as safely and quickly as possible.

On April 14, 2020, your Board authorized DBH to evaluate the economic impacts of COVID-19 on the County's Marina Lessees and authorized the Director of DBH to implement appropriate economic relief measures to assist the Marina Lessees in mitigating said impacts. The Director's authority is subject to the following conditions: (1) Any relief from rent or other payment obligations shall be in the form of deferrals only; (2) Hotels with more than 25 rooms must agree to pursue available Federal and State stimulus; and (3) DBH shall report back to the Board in 120 days regarding all measures

implemented during the period ending June 30, 2020 and recommendations for additional relief thereafter, if appropriate.

Pursuant to the Countywide Eviction Moratorium and the authority delegated to DBH on April 14, 2020, DBH has notified the Marina Lessees that the following economic relief measures are currently available to them: (1) The Eviction Moratorium has been extended to September 30, 2020, and may be extended again or repealed by the Board, except that for commercial tenants who are multinational, public traded, or have more than 100 employees, the Eviction Moratorium expired on June 1, 2020; (2) Marina Lessees are required to pay County ground rent in the amount calculated by aggregating the percentage rents pursuant to the terms of each individual ground lease, provided that the amount by which the minimum rent is more than the percentage rent shall be deferred; (3) Lessees who are seeking economic relief must complete DBH's questionnaire to document their COVID-19 impacts; (4) All rent deferrals shall be due and payable within six or 12 months (as applicable) after the expiration of the Eviction Moratorium unless otherwise agreed by the parties; (5) Lessees may use any available sinking funds as required under the lease to defray the operating or financing needs during the period of Eviction Moratorium; and (6) Lessees shall continue to submit their gross receipts reports for County review and record.

DBH also extended the foregoing economic relief to its beach concession contractors. While not technically tenants or lessees of the County, most of DBH's beach concessionaires are small scale, local operations that are much more vulnerable than large businesses to the financial impacts of COVID-19.

ADDITIONAL RECOMMENDED ECONOMIC RELIEF MEASURES:

DBH staff, working with DBH's economic consultant, have reviewed the gross receipts numbers for the Marina Lessees and have determined that the Hospitality Lessees have been the most severely impacted to date by the COVID-19 pandemic and related business shutdowns. (For reference, the Hospitality Lessees are located on Marina del Rey Parcels 22, 27, 42, 125H, 141 and 145 (hotels), and Parcels 33, 61, 130, 131, 133 (restaurants). Many of the Hospitality Lessees have not been able to operate at all since the County's Safer At Home order, and those who have been able to operate have suffered severe declines in their gross receipts. None of the Hospitality Lessees has reached its lease-required Minimum Rent levels since the Safer At Home order was issued in March. While not all hotels have reported revenues in recent months (at least one remains closed), those that have reflect the devastating impact of the pandemic on revenues, indicating revenues at well under 25% of 2019 levels. The same is true for restaurants: at least one has closed permanently, and those reporting revenues after reopening in June show revenues at one-third of 2019 levels.

While virtually all of the Marina Lessees continue to be economically impacted to some degree as the pandemic and business closures have continued into the summer months, none have been impacted as severely as the Hospitality Lessees. Apartment and anchorage leaseholds, for example, have seen only a modest decline in revenues since March, typically from 5% to 15%. Due to the typical operating margins for these kinds of properties, they are still operating at a level that supports expenses and debt payments as well as Minimum Rent. Therefore, we do not recommend any additional rent assistance for leaseholds in these categories at this time.

In addition, DBH issues beach use permits to certain operators of camps and other beach recreation-related businesses. Like the County's beach concessionaires, these beach permittees are small-scale, local operations who have been almost entirely unable to operate during their most profitable summer months. Accordingly, DBH staff has concluded that economic relief should be extended to these small businesses, provided they can adequately document the economic impacts of the pandemic.

Accordingly, DBH recommends that your Board authorize the Director of DBH to implement the following additional economic relief measures:

1. Extend the existing relief measures set forth above (e.g., ability to defer rent) as to all Marina Lessees;
2. As to the Hospitality Lessees only, allow waivers of minimum rent in accordance with the attached formula for a limited period of time commencing April 2020 and terminating not later than December 31, 2020;
3. As to the County's beach concessionaires and beach permittees, provide full or partial waivers of County rent payments for the months of April through June 2020, subject to provision of documentation of impacts satisfactory to the Director of DBH, with the ability of the Director to authorize additional rent waivers for months up to and including December 2020, if appropriate and adequately documented; and
4. Continue to monitor the economic situation in Marina del Rey and return to the Board with a report back and further economic relief recommendations, if appropriate, no later than December 31, 2020.

Please feel free to contact me with any questions or concerns.

GJ:AC:ms

c: Marina Board Deputies
Executive Office, Board of Supervisors
Chief Executive Office
County Counsel



illuminas Consulting

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Memorandum

To: Amy Caves and Don Geisinger, LA County DBH
CC:
From: Faith Backus
Date: August 11, 2020
Subject: Proposed Policy for Rent Deferral and Waiver from Hotel and Restaurant Leaseholds - DRAFT

The proposed approach to rent payment, deferral and waiver from hotel and restaurant leaseholds is as set forth below. It is anticipated that this approach will apply to these leaseholds only:

Hotels: Parcels 22, 27, 42, 125H, 141 and 145

Restaurants: Parcels 33, 61, 130, 131, 133

Proposed Rent Payment, Deferral and Waiver Structure

1. Required Payment

Beginning in April 2020, lessees are required to pay only the calculated Percentage Rent amount, regardless of Minimum Rent. The calculation of Percentage Rent is the product of the revenues in each category of gross receipts times the Percentages Rent Rates as set forth in each lease. Solely for the purpose of rent deferral and waiver as set forth herein, this amount shall be referred to as Percentage Rent Payable. Percentage Rent Payable shall be calculated in arrears for each calendar month and due on the 15th of the following month.

2. Rent Deferral

For months in which the Percentage Rent Payable is less than Minimum Rent, an amount shall be deferred equal to the lesser of (a) Percentage Rent Payable or (b) Minimum Rent less Percentage Rent Payable. The amount of rent deferred each month shall be added to that of previous months. The running total shall be referred to as the Deferred Rent Balance.

3. Rent Waiver

In months for which the Percentage Rent Payable is less than Minimum Rent, the remainder (if any) of Minimum Rent less (Percentage Rent Payable plus Percentage Rent Deferred) shall be waived.

4. Cap on Deferred Rent Balance

The Deferred Rent Balance shall not exceed the largest Annual Minimum Rent amount applicable for that leasehold at any time during which rent is deferred.

5. Resumption of Normal Rent Payment (Cessation of Deferral and Waiver)

Rent deferral and waiver shall cease when a lessee's Percentage Rent Payable has exceeded Minimum Rent for three consecutive months. Payment of rent per the terms of the existing leases shall resume at that time. Once the terms of the existing lease resume, Lessee shall pay Minimum Rent even if there are months in which the Percentage Rent is less than the Minimum Rent.

6. Repayment of Deferred Rent

Repayment of any Deferred Rent Balance shall commence in the month payment of normal rent resumes. Repayment term shall be based on the proportion of the Deferred Rent Balance to Annual Minimum Rent. For Deferred Rent Balance equal to Annual Minimum Rent, repayment shall be in equal installments over four years (48 months). For Deferred Rent Balance less than Annual Minimum Rent, the repayment term shall be proportional to the ratio of Deferred Rent Balance to Annual Minimum Rent, rounded to an even number of months. The repayment of the Deferred Rent Balance is calculated as the ratio of (the Deferred Rent Balance to Annual Minimum Rent) x 48 months.

7. Example Calculations

Example calculations for two scenarios follow. In Example 1, leasehold operations recover before the Deferred Rent Cap is reached. Repayment of Deferred Rent Balance starts when "normal" payments resume and there is no further deferral. The repayment period is seven months for this example, as shown.

Example 2 illustrates a leasehold with operations that remain impacted for a longer period, such that the Deferred Rent Cap is reached. Once started, Deferred Rent Balance payments continue even though revenues drop in one month such that the lessee does not owe Percentage Rent and pays only Minimum Rent.

File Reference: Gr Revs History 062420.xlsx

Example Calculations of Rent Deferral, Waiver and Repayment

	Monthly Min Rent	Pctg Rent Payable	Rent Deferred	Rent Waived	Def Rent Payment	Def Rent Balance	Def Rent Pmt Term
Example 1							
Month 1	\$100	\$30	\$30	\$40	N/A	\$30	
Month 2	\$100	\$5	\$5	\$90	N/A	\$35	
Month 3	\$100	\$5	\$5	\$90	N/A	\$40	
Month 4	\$100	\$20	\$20	\$60	N/A	\$60	
Month 5	\$100	\$40	\$40	\$20	N/A	\$100	
Month 6	\$100	\$60	\$40	\$0	N/A	\$140	
Month 7	\$100	\$75	\$25	\$0	N/A	\$165	
Month 8	\$100	\$90	\$10	\$0	N/A	\$175	
Month 9	\$100	\$110	\$0	\$0	N/A	\$175	
Month 10	\$100	\$130	\$0	\$0	N/A	\$175	
Month 11 /1	\$100	\$140	\$0	\$0	N/A	\$175	7 months
Month 12	\$100	\$150	N/A	N/A	\$25	\$150	
Example 2							
Month 1	\$100	\$50	\$50	\$0	N/A	\$50	
Month 2	\$100	\$10	\$10	\$80	N/A	\$60	
Month 3	\$100	\$5	\$5	\$90	N/A	\$65	
Month 4	\$100	\$5	\$5	\$90	N/A	\$70	
Month 28	\$100	60	\$40	\$0	N/A	\$1,180	
Month 29	\$100	70	\$30	\$0	N/A	\$1,200	
Month 30	\$100	80	\$20	\$0	N/A	\$1,200	
Month 31	\$100	100	\$0	\$0	N/A	\$1,200	
Month 32	\$100	120	\$0	\$0	N/A	\$1,200	
Month 33	\$100	90	\$10	\$0	N/A	\$1,200	
Month 34	\$100	110	\$0	\$0	N/A	\$1,200	
Month 35	\$100	120	\$0	\$0	N/A	\$1,200	
Month 36 /2	\$100	140	\$0	\$0	N/A	\$1,200	48 months
Month 37	\$100	150	N/A	N/A	\$25	\$1,175	
Month 38	\$100	120	N/A	N/A	\$25	\$1,150	
Month 39 /3	\$100	90	N/A	N/A	\$25	\$1,125	
Month 40	\$100	100	N/A	N/A	\$25	\$1,100	
Month 41	\$100	130	N/A	N/A	\$25	\$1,075	

NOTES:

/1 Payment term of 7 months is calculated as follows: $175/(100*12)*48=7$.

/2 Payment term of 48 months is calculated as follows: $1200/(100*12)*48=48$

/3 Deferred Rent Balance payoff continues even though Percentage Rent Payable is < Min Rent. Lessee would owe Minimum Rent of \$100 in this month.