

MOTION BY SUPERVISOR LINDSEY P. HORVATH

April 1, 2025

Amendment to Option and Concession Agreements for Replacement Restaurant Project and Extension of Existing Concessionaire Agreement

The County of Los Angeles (County) manages and operates Will Rogers State Beach on behalf of the State of California, where the County’s Department of Beaches & Harbors (DBH) is responsible for administering the Concession Agreement for Gladstones restaurant, located at 17300 Pacific Coast Highway in the Pacific Palisades area of Los Angeles (Gladstones). In September 2022, the Board of Supervisors approved an option agreement for the construction of a replacement restaurant on the existing Gladstones site in Pacific Palisades. Fortunately, Gladstones emerged from the recent Palisades wildfire with minimal damage (to ancillary structures only and some smoke damage to the main building), and its operators are eager to reopen as soon as possible to serve the community and the various agencies who are working on the recovery effort in the area.

Due to a lengthy and ongoing entitlement process, required design changes, the pandemic, and the recent wildfires, among other issues, more time is needed for the

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replacement restaurant to be built by the new operator, PCH Beach, at the existing Gladstones site in Pacific Palisades. It will therefore be necessary for the existing Gladstones' concessionaire, Gladstones Legacy Group, LLC ("Existing Concessionaire"), to continue operations at the site beyond the current expiration of its Concession Agreement with the County (September 15, 2025). DBH will need to renegotiate and/or extend the Concession Agreement with the Existing Concessionaire in order to ensure continuous use of the site to serve the public and beachgoers, as well as to support the recovery of the Pacific Palisades community in which it is located.

In addition, the Option Agreement and form of Concession Agreement with PCH Beach will need to be extended and amended to accommodate the unforeseen delays as well as changed economic conditions (including major increases in construction and other costs, as well as the fires) that have occurred since 2022 when those agreements were originally executed. The parties have reached a proposed amendment to the Option Agreement to resolve these issues, a copy of which is attached hereto. The following is a brief summary of the proposed terms:

- Provides two additional 6-month option extension periods, with elimination of fees for four of the total of seven available extensions
- Clarifies entitlement requirements for developer to exercise its option
- Provides general release of claims in favor of the County
- Provides a simplified rent structure by deleting the concepts of Interest Rent and Deferred Rent and the associated personal guaranty, changing percentage rent to a flat 6% for all categories, setting the Tenant Improvement (TI) Allowance at \$21M, and granting a demolition credit against rent (after the TI Allowance has been exhausted) not

to exceed \$250k.

- Increases annual minimum rent so County has a more predictable income

stream that commences earlier in the term, as follows:

Operations Year	Rent
Year 1	\$700,000
Year 2	\$850,000
Year 3	\$1,100,000
Year 4	\$1,250,000
Year 5	\$1,500,000
Year 6 through Year 10	\$1,750,000
Year 11 through End of Term	110% of prior year

- Increases the Total Redevelopment Costs requirement to \$43M (from \$27M) which is the minimum developer must expend in completing the redevelopment work.

- Deletes the concept of Total Allowable Redevelopment Cost which was used in the original agreement in the calculation of deferred rent and is not needed with the proposed rent structure.

- Revises the construction timeline from 24 to 30 months after the construction begins, subject to PCH Beach extension rights.

- Adds requirement that parties meet and confer to develop mutually agreeable mitigation measures in event of construction delays caused by the 2028 Olympics or Paralympics.

All documents have been negotiated and reviewed by counsel and approved as to

form by County Counsel.

As under the previously approved agreements, the proposed new restaurant project will also offer a variety of brand new features which will improve the public access that currently exists at the site. Those amenities include an upgraded designated public ocean view deck and seating area for 100+ people, public restrooms, and moderately priced food and beverage sales (with no purchase required for deck access by the public). In addition, the project will provide a new bus turnaround and layover parking for existing and future Big Blue Bus and Metro transit lines, which will resolve existing transit issues and make public access to the beaches easier.

I, THEREFORE, MOVE that the Board of Supervisors:

1. Find that the proposed actions relating to the proposed restaurant replacement project are within the scope of the Board's September 27, 2022 determination that the proposed project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines section 15302(b) for the reasons stated in that action and in the record of the project, and further find that there have been no changes to the proposed project or substantial changes in circumstances or new information that would warrant subsequent environmental analysis under CEQA.
2. Delegate authority to the Director of the Department of Beaches & Harbors to negotiate and execute an amendment, approved as to form by County Counsel, extending and/or renegotiating the current Concession Agreement with the Existing Concessionaire, Gladstones Legacy Group, LLC, for a

period to run concurrently with the term of the existing Coastal Development Permit (CDP) for the site to ensure continued operation of the existing Gladstones restaurant, subject to early termination rights for the County to allow PCH Beach to begin work on the proposed replacement restaurant at the existing Gladstones site in Pacific Palisades.

3. Delegate authority to the Director to execute the attached amendment to the Option Agreement and attached form of Concession Agreement with PCH Beach, approved as to form by County Counsel, to accommodate unforeseen delays and changed economics relating to the proposed restaurant replacement project that have occurred since those agreements were negotiated.
4. Authorize the Director to execute any other ancillary or related documents as necessary and acceptable to Director to effectuate the amendment of the existing Concession Agreement.

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