SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT

Control: 26001513

MEETING DATE:	06/23/2026
LEGAL ENTITY TAKING ACTION:	Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S):	District 5
SUBMITTING AGENCY/DEPARTMENT:	County Executive Office
DEPARTMENT CONTACT PERSON(S):	Thomas Miller, 714-834-6019 Dylan Wright, 714-480-2788

REASON ITEM IS SUPPLEMENTAL: A supplemental ASR is needed because this is a complex, multi-component lease negotiation, and final deal terms have required additional time for staff and Lessee to resolve and were not completed until after the filing deadline.

JUSTIFICATION: This item cannot be moved to another date because these updates are essential to finalizing the new leases and related terms needed to advance hotel financing. In addition, the item must be heard before July for the revitalization to stay on schedule; waiting until August would risk delaying financing and jeopardizing the construction schedule.

SUBJECT: Ground Lease Agreements for Dana Point Harbor

CEO CONCUR	**COUNTY COUNSEL REVIEW**	**CLERK OF THE BOARD**
Concur	Approve agreement to form	DISCUSSION 4/5 Vote

Budgeted: N/A	**Current Year Cost:** See Financial Impact Statement	**Annual Cost:** See Financial Impact Statement
Staffing Impact: No		**Sole Source:** No
Current Fiscal Year Revenue: See Financial Impact Statement	**Funding Source:** N/A	**County Audit in Last 3 years:** Yes, 2024
Levine Act Review Completed? Yes		

Prior Board Action: 3/8/2022 #29, 7/17/2018 #27

RECOMMENDED ACTION(S):

1. Approve and authorize the Chief Real Estate Officer or designee to execute the new Ground Lease Agreement with DPHP Hotels, LLC for the Hotel Component of the Dana Point Harbor Revitalization Project for a 66-year term, in substantially the form attached, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.
2. Approve and authorize the Chief Real Estate Officer or designee to execute the new Ground Lease Agreement with Dana Point Harbor Partners, LLC, for the Commercial Core Component and Marina Component of the Dana Point Harbor Revitalization Project for a 66-year term, in

substantially the form attached, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.

3. Approve and authorize the Chief Real Estate Officer or designee to execute the new Ground Lease Agreement with Dana Point Harbor Partners Drystack, LLC, for the Drystack Components of the Dana Point Harbor Revitalization Project for a 66-year term, in substantially the form attached, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.
4. Approve and authorize the Chief Real Estate Officer or designee to execute the Full-Service Hotel Ground Lease and the Select-Service Hotel Ground Lease, in substantially the forms attached to the Hotel Component Ground Lease, upon receipt of separate financing for the construction of the Full-Service and Select-Service Hotels, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.
5. Approve and authorize the Chief Real Estate Officer or designee to execute the Memorandum of Understanding between the County and Dana Point Harbor Partners, LLC, regarding the parties' intentions to negotiate a Drystack Ground Lease Amendment and lease at the OC Sailing & Events Center over the next 180 days, in substantially the form attached, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.
6. Authorize the Chief Real Estate Officer or designee to execute subsequent documents or amendments that make non-monetary and/or monetary changes that do not increase County liability or costs by more than $75,000 per year, upon approval of County Counsel.

SUMMARY:

Approval and authorization of the new Ground Lease Agreements for the Hotel Component, the Commercial Core and Marina Component, and the Drystack Component of the Dana Point Harbor Revitalization Project, along with the related Full-Service Hotel and Select-Service Hotel ground lease forms, will provide the structure needed to secure component-specific financing, allow the hotel to recover from pandemic- and permitting-related delays, and advance the County's long-planned harbor redevelopment for Dana Point Harbor, enhance public amenities, promote economic growth, and ensure long-term revenue stability.

BACKGROUND INFORMATION:

On July 17, 2018, after a competitive Request for Proposal process, the Board of Supervisors (Board) approved an option agreement and ground lease agreements with Dana Point Harbor Partners (DPHP) and Dana Point Harbor Partners Drystack (DPHP Drystack) to implement a comprehensive revitalization of Dana Point Harbor (Harbor), representing over $700 million in private investment and encompassing these primary components: the Commercial Core, the Marina, the Marina Inn and Drystack. The master leases were executed in October 2018 following completion of option requirements, transferring responsibility for operation, maintenance, and redevelopment of these Harbor components to DPHP, with CEO Real Estate and OC Parks jointly overseeing development progress and lease compliance (each an Original Lease and collectively, the Original Leases).

In April 2020, the Chief Real Estate Officer, acting under the delegated authority granted by the Board, executed COVID-19 Tolling Amendments, extending all project deadlines, except the lease term and required rent payments, for the duration of the County's State of Emergency. On March 8, 2022, the Board approved the Second Amendments to the Original Leases to support permitting and financing efforts by extending hotel construction start dates, authorizing an alternative repair program for the Marina Inn if hotel entitlements or financing could not be secured, and terminating the prior Tolling Amendments.

On December 19, 2024, the Internal Audit Department conducted an audit of the Original Leases (Audit No. 2408). The audit assessed whether reported gross receipts and rent were supported and whether DPHP and DPHP Drystack complied with key financial related lease requirements. Audit No. 2408 resulted in three recommendations. The Final Close Out Follow Up Compliance Audit confirmed that all key financial related lease requirements and audit recommendations were resolved.

Development Update
To date, DPHP and DPHP Drystack have secured entitlements for the Marina, Commercial Core, and, most recently, the Hotel Component, completing the entitlement process through both the City of Dana Point and the California Coastal Commission (CCC) after significant delays due to the COVID-19 pandemic and the CCC administrative review and approval process. Entitlements for the Drystack are under development to allow construction of a new dry-storage facility and associated improvements.

The Commercial Core improvements are covered under Final EIR No. 591, which was certified by the Orange County Board of Supervisors on January 31, 2006, and are authorized through City of Dana Point Coastal Development Permit (CDP) 130018, with multiple Substantial Compliance Determinations issued by the City confirming ongoing consistency with the approved CDP. Construction of the Commercial Core began in early 2024 with the commencement of Phase 1 and Phase 2 improvements. Phase 1 delivered the new three-level parking structure, which provides 984 stalls, including 93 dedicated boater spaces, along with amenities such as restrooms, showers, and a cart corral. Phase 2, which included utility infrastructure, landscaping, site work, and the new Golden Lantern extension, was completed in July 2025. Phase 3, consisting of the new waterfront buildings, began in early 2026. Phases 4 and 5, which include development of the Wharf buildings and the surface parking lot, are scheduled to begin later in 2026. Overall project completion for the Commercial Core is anticipated by the fourth quarter of 2027. Financing for the Commercial Core and Marina components was secured earlier this year.

The Marina Improvement Project is covered under Final EIR No. 591 and authorized through CDP 5-19-0971 for waterside improvements and environmental clearance for all 17 phases of the Marina construction. Construction began in August 2022, and substantial progress has been made. The project continues to advance and is more than halfway completed, including construction of approximately 2,200 new slips and related dock improvements, 10 boater-service buildings, nearly 1,400 designated parking spaces, parkscape enhancements, and seawall and revetment repairs. As of the first quarter of 2026, dock phases 1 through 11 have been completed, with work underway on Phase 12. Work also continues in the Fuel Dock and Outer Basin areas, including the completion and commissioning of the Fuel Dock Underground Storage Tank replacement in March 2026. Overall completion of the Marina Improvement Project remains on schedule for the fourth quarter of 2027.

The Hotel Component is supported by the program-level Final EIR No. 591 and the project-specific Dana Point Harbor Hotels Final EIR, which was certified by the City of Dana Point on June 23, 2025, with City CDP 190017 authorizing demolition of the Marina Inn and construction of the two new hotels and associated boater-service facilities. The Hotel Component includes the development of two new hotels: a

169-room-restricted select-service hotel and a 130-room full-service hotel with boater service facilities (Hotels). Final design and permitting efforts are underway and ongoing, with construction expected to begin third quarter of 2026. Financing for the Hotels has yet to be secured, and the Original Lease structure presents complexities for lender underwriting due to the fact that the Hotels are currently combined with the Commercial Coe/Marina, which have already received financing. Establishing a separate ground lease for the Hotel Component would provide the structure to facilitate financing for the Hotels.

The Drystack landside improvements are covered under Final EIR No. 591 and authorized through City of Dana Point CDP 13-0018(l), while the Drystack waterside improvements will be subject to a separate CDP, with an application targeted for submittal in the second quarter of 2026. DPHP is refining the landside layout with the goal of submitting updated plans for approval-in-concept in the second quarter of 2026, concurrent with preparation of the waterside CDP application. Operations at the Drystack remain ongoing during redevelopment, with management adjusting activities on the premises to accommodate construction-related work.

Development Costs

The project's costs have more than doubled since the 2018 RFP due to pandemic-related construction delays, inflation in labor and materials, supply-chain disruptions, and extended timelines for approvals and entitlements that pushed construction into higher-cost years. These combined factors significantly escalated costs across all components of the development.

Development Costs per Development Component	2018 RFP Projections	Current Projections
Marina	$108,938,650	$177,250,000
Drystack	$19,492,075	$31,929,909
Select-Service Hotel	$27,722,090	$65,291,539
Full-Service Hotel	$90,626,750	$159,628,228
Commercial Core	$91,043,222	$271,189,105
Total Development Costs	**$337,822,787**	**$705,288,781**

Proposed New Leases

At the request of DPHP, and to satisfy lender underwriting requirements, CEO Real Estate is presenting new ground lease agreements for Board approval: one for the Commercial Core and Marina Component, a stand-alone ground lease for the Hotel Component, and an updated Drystack Lease to ensure consistency across all Harbor operations (collectively New Leases). The Commercial Core and Marina Components have already secured financing and are under construction; however, lenders have determined that the Hotel Component requires its own independent lease structure to qualify for financing and advance construction of the two approved Hotels. The Original Lease is encumbered by a loan that funds the Commercial Core and Marina Components but does not provide funding for the Hotels.

To establish a stand-alone Hotel Ground Lease, DPHP formed a new affiliated entity, DPHP Hotels LLC, to meet lender underwriting requirements specific to hotel financing, as permitted by the Original Leases. DPHP Hotels LLC was formed by the existing members of DPHP and function as an affiliate under the Original Leases, enabling the Hotel Component to secure financing independently while maintaining continuity with the established ownership structure.

Development of the New Leases reflects significant changes in project financing needs and the unique challenges experienced during the Dana Point Harbor revitalization process. While the Commercial Core and Marina Components have successfully secured financing, the Hotel Component has faced substantial delays over the past eight years due to the impacts of the COVID-19 pandemic and extended CCC review and approval processes. These delays have prevented the Hotel Component from accessing the financing necessary to begin construction. Establishing a stand-alone Hotel Lease is therefore essential to facilitate favorable financing opportunities, restore project momentum, and allow the Hotel Component to advance rather than defaulting to the limited refurbishment of the existing Marina Inn, permitted under the Second Amendment to the Original Lease, which does not meet revitalization goals.

Creating a stand-alone Hotel Ground Lease allows the developer to pursue financing terms tailored to the hotel market. The Hotel Ground Lease incorporates a revised rent schedule that adjusts base rent obligations to reflect Consumer Price Index (CPI)-based inflation during the years when the Hotel Component was unable to advance. The updated Annual Minimum Rent schedule reflects a 32.71 percent CPI increase from December 2018 to April 2026, which updates the County's revenue baseline for the first five operating years. These updated AMR values replace the prior 2018 schedule. In addition, the Hotel Ground Lease includes a performance-based payment mechanism by which the County receives an additional twenty-percent (20%) of percentage rent during the first four Operating Years if the Full-Service Hotel achieves a net operating income (NOI) of at least one hundred fifty percent (115%) of the County-approved pro forma NOI. This structure provides the County access to early-year financial upside if the hotel performance exceeds current projections. The Hotel Ground Lease also provides rent abatement during construction and includes force majeure protections similar to those included in the Original Lease to ensure financing feasibility under current market conditions. In addition, the option to refurbish the existing Marina Inn will be removed, thereby committing the DPHP Hotels, LLC to construction of the two new hotels as approved by the CCC. The remaining Hotel Component Ground Lease provisions remain substantially the same as in the Original Lease.

The Commercial Core and Marina Lease has been updated to remove hotel-related requirements that no longer apply to the Commercial Core and Marina Component, and to clarify the rent schedule to ensure the next base-rent adjustment occurs in January 2028, consistent with the originally approved rent adjustment cycle. This preserves the County's intended adjustment timeline and protects anticipated revenue. Finally, the Drystack Lease will remain separate and will be amended and replaced concurrently to align its terms with the new Hotel and Commercial Core and Marina Ground Leases, ensuring consistency across Harbor operations. This alignment clarifies revenue streams, simplifies lender underwriting, and ensures that all three components of the Harbor function under a unified and modernized leasing framework.

Each resulting New Lease will have a 66-year term, which DPHP states is necessary to secure financing given the multi-year delays associated with entitlement processing and the pandemic. DPHP indicates that approval of the New Leases will allow them to secure financing in the coming months and maintain a targeted hotel opening in 2028, ensuring that the Hotels, Commercial Core, and new Marina facilities are operational in time for the Los Angeles Summer Olympics. This schedule positions the County to accommodate elevated regional visitation; support increased economic activity and showcase a fully revitalized Harbor to an international audience. The approval of the new leases with full 66-year terms is available through Government Code section 25536(a), which authorizes the Board to lease the Harbor, by a four-fifths vote, when the leases will result in uses such as beach, park, amusement, recreational activities or commercial development.

CEO Real Estate is also seeking authorization for the Chief Real Estate Officer, or designee, to execute the Full-Service Hotel Ground Lease and the Select-Service Hotel Ground Lease, in substantially the forms attached to the Hotel Ground Lease, upon receipt of separate financing for each hotel. These provisions ensure that the two hotel leases can be executed promptly after financing is secured, preserving project schedule certainty and supporting timely commencement of construction.

In addition, the parties have negotiated a Memorandum of Understanding (MOU) related to continued discussions concerning a potential amendment to the Drystack Ground Lease and a restaurant lease for DPHP at the County's OC Sailing and Events Center (OCSEC), as part of a larger contemplated OCSEC renovation. Due to the necessity of approving the New Leases promptly to allow DPHP to secure hotel financing on an expedited schedule, negotiations concerning the amendment and renovation have not been concluded. Therefore, the MOU outlines the general terms of the County and DPHP's ongoing discussions and establishes a framework under which those discussions will continue over the next 180 days, with the goal of reaching an agreement on those items. Generally, the discussion centers on an amendment to the Drystack Ground Lease under which DPHP would apply for a CDP amendment to reduce the required day boater parking in return for the release of certain County funds designated for the Drystack construction. The parties are also exploring the inclusion of a restaurant concept as part of the OCSEC remodel, which would be operated by DPHP. Any final agreements resulting from the MOU will be presented to the Board for consideration.

Together, these actions ensure that all Harbor components operate under leasing structures that support financing feasibility, align with current economic conditions, and maintain consistency across project elements. Approval of the proposed New Leases will allow the Hotel Component to advance into construction and keep the overall revitalization effort on schedule.

CEQA COMPLIANCE:

This action is not a project within the meaning of CEQA Guidelines Section 15378 and is therefore not subject to CEQA, since it does not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The approval of this agenda item does not commit the County to a definite course of action in regard to a project since the action authorized herein is limited to assisting Dana Point Harbor Partners, LLC and Dana Point Harbor Partners Drystack, LLC in securing financing for revitalization of Dana Point Harbor project. Dana Point Harbor Partners, LLC and Dana Point Harbor Partners Drystack, LLC have obtained all required environmental approvals. This proposed activity is therefore not subject to CEQA. Any future action connected to this approval that constitutes a project will be reviewed for compliance with CEQA.

FINANCIAL IMPACT:

Ground Rent by Development Component

Pursuant to the Tidelands Grant, all revenues generated within the Harbor are required to be used within DPH for its maintenance and operation and may not be used for other County non-Harbor uses. These revenues are deposited into the Dana Point Harbor Tidelands Fund 108 managed by the County, within the OC Parks budget.

Total projected rent rises to over $231 million in the first 25 years, and nearly $1.5 billion over the full 66 years, representing significant increases. The Marina component is a strong source of growth, adding more than $1 billion in the long-term projection. The Full-Service Hotel also shows significant expansion, contributing over $200 million of long-term increase. Dry Storage is the only component that declines in the long-term projection. The reduction in Drystack revenue results from replacing some larger vessels with smaller, lower-revenue non-motorized vessels after the original design was found to conflict with the Doheny Beach view corridor, as detailed, in Final EIR No. 591, requiring a layout modification to maintain the required 493 spaces.

GROUND RENT PROJECTIONS (Years 1 through 25)			
	2018 Lease Years 1 through 25	**2026 Lease Years 1 through 25**	**Increase In Rent**
Marina	$60,513,000	$227,699,000	$167,186,00
Drystack	$13,829,000	$21,569,000	$7,280,000
Select-Service Hotel	$6,614,000	$14,205,000	$7,591,000
Full-Service Hotel	$11,388,000	$40,068,000	$28,680,000
Commercial Core	$26,414,000	$46,353,000	$19,139,000
Total Rent	**$118,758,000**	**$349,894,000**	**$231,136,000**

GROUND RENT PROJECTIONS (Years 1 through 66)			
	2018 Lease Years 1 through 66	**2026 Lease Years 1 through 66**	**Increase In Rent**
Marina	$345,600,000	$1,421,449,000	$1,076,849,000
Drystack	$165,558,000	$148,673,000	–$16,885,000
Select-Service Hotel	$78,987,000	$86,769,000	$7,782,000
Full-Service Hotel	$42,895,000	$246,486,000	$203,591,000
Commercial Core	$83,862,000	$281,194,000	$197,332,000
Total Rent	**$716,902,000**	**$2,184,571,000**	**$1,467,669,000**

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

N/A

ATTACHMENTS:

Attachment A – Master Ground Lease Hotel Component Lease with DPHP Hotels, LLC

Attachment B – Master Ground Lease Commercial Core and Marina Component with DPHP, LLC

Attachment C – Master Ground Lease Drystack with DPHP Drystack, LLC

Attachment D – Government Code Section 25536(a)

Attachment E – Memorandum of Understanding with DPHP, LLC