

0150-09708-0003

TRANSMITTAL

TO
Eugene D. Seroka, Executive Director
Harbor Department

DATE
JUN 27 2017

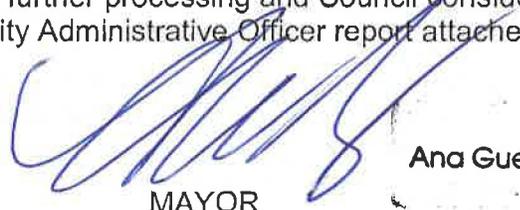
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
15

**PROPOSED THIRD AMENDMENT TO PERMIT NO. 897 WITH
CATALINA CHANNEL EXPRESS, INC.**

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.



Ana Guerrero

MAYOR

RHL:ABN:10170143t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 23, 2017

CAO File No. 0150-09708-0003

Council File No.

Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Correspondence from the Harbor Department dated June 8, 2017; referred by the Mayor for report dated June 14, 2017

Subject: **PROPOSED THIRD AMENDMENT TO PERMIT NO. 897 WITH CATALINA CHANNEL EXPRESS, INC.**

RECOMMENDATION

That the Mayor:

1. Approve Harbor Department (Port) Resolution No. 17-8116 authorizing a proposed Third Amendment to Permit No. 897 with Catalina Channel Express Inc. to increase the square footage leased from and the minimum rent amount to the Port; and,
2. Return the document to the Port for further processing, including Council consideration.

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 17-8116 authorizing a proposed Third Amendment (Amendment) to Permit No. 897 (Permit) with Catalina Channel Express, Inc. (Catalina) to increase its leased property area from the Port of Los Angeles (POLA) to accommodate additional freight operations with Avalon Freight Services Inc. (Avalon Freight). Catalina subleased property to Avalon Freight. The proposed Amendment will increase leased property area by 32,881 square feet, which will result in an 18.9 percent increase in the minimum annual rent, from approximately \$259,073 to \$308,047. The proposed Amendment will not extend the current Permit term, which expires in March 2037.

In March 2012, the Mayor and Council approved the original Permit, a 25-year contract agreement, from 2012 to 2037, which authorized the POLA to lease: (1) a different berth to Catalina to continue operating public passenger vessel ferry services and (2) a facility to transport tourist and commuters (C.F.12-0344). The Permit allowed Catalina to remain as a Port tenant, but required that it relocate operations to Berth 95 so that the property could be made available to accommodate the expansion of the container terminal operations for China Shipping Holding Company (China Shipping). Below are the existing two Amendments to the Permit:

- The First Amendment with the Port and Catalina approved a settlement agreement to relocate and develop a new site for Catalina and to adjust the rental rates and compensation, and
- The Second Amendment authorized freight services and allowed for an additional lease of POLA land to construct a two-story facility and operate offices, parking spaces and warehouse facilities to process and transport freight to and from Catalina Island.

In August 2015, the Board authorized Catalina to enter a one-time sublease for over 20 percent of its leased property to Avalon Freight for administrative office and freight facilities, to process and transport year round freight transportation to and from Catalina Island.

The Port states that freight operations began to Catalina Island in April 2016. According to the Port, Catalina needed additional space to accommodate its freight operations and requested to add 32,881 square feet space of POLA property. The Port states that one of the parcels of land is underneath the Vincent Thomas Bridge and is partially impeded by a California Department of Transportation (Caltrans) access easement. Caltrans employees and their contractors are responsible for bridge repair, maintenance and inspections of the easement. Catalina is aware that they may be temporarily denied access to the parcel if Caltrans needs to repair the bridge. Catalina has acknowledged the potential risk due to the easement and that POLA will not be responsible for any business interruption costs or claims. A reduced rent amount is reflective of this possible restriction. The Port states that the rental compensation assessment is consistent with POLA policy, which is based on a minimum 10 percent rate of return on the 2016 estimated land value. The additional leased space will increase the minimum annual lease amount by \$48,974, to approximately \$308,048.

The Amendment is in compliance with City requirements and has been approved as to form by the City Attorney. The Port Director of Environmental Management determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) and the appropriate Los Angeles City CEQA Guidelines. Pursuant to Charter Section 606, Council approval is required because the cumulative contract term exceeds five years. Except as contained in the proposed Amendment, all other terms and conditions of the Permit remain the same.

FISCAL IMPACT STATEMENT

The proposed Third Amendment to the Permit between the Port and Catalina Channel Express, Inc. will increase leased property area by 32,881 square feet, which will result in an 18.9 percent increase in the minimum annual rent, by \$48,974, from approximately \$259,073 to \$308,047. The Amendment will not extend the term of the current Permit which expires in March 2037. The proposed Amendment will have no impact on the City's General Fund.

