

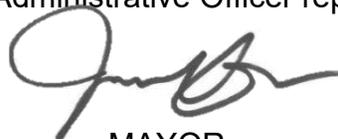
0150-09708-0004

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 09/30/2025	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15

**RESOLUTION NO. 25-10591, ORDER NO. 25-7406, AND PROPOSED FOURTH AMENDMENT TO PERMIT NO. 897 BETWEEN THE HARBOR DEPARTMENT AND CATALINA CHANNEL EXPRESS, INC. TO RETROACTIVELY AMEND PERMIT LANGUAGE TO DEFINE COMPENSATION YEARS AND OUTLINE REQUIREMENTS TO IMPLEMENT PERCENTAGE RENT COMPENSATION, AND RETROACTIVELY RESET COMPENSATION**

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:10260066t

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

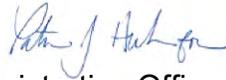
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Date: September 19, 2025

CAO File No. 0150-09708-0004  
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. 25-10591 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. 25-10591, ORDER NO. 25-7406, AND PROPOSED FOURTH AMENDMENT TO PERMIT NO. 897 BETWEEN THE HARBOR DEPARTMENT AND CATALINA CHANNEL EXPRESS, INC. TO RETROACTIVELY AMEND PERMIT LANGUAGE TO DEFINE COMPENSATION YEARS AND OUTLINE REQUIREMENTS TO IMPLEMENT PERCENTAGE RENT COMPENSATION, AND RETROACTIVELY RESET COMPENSATION**

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**RECOMMENDATIONS**

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 25-10591 and Order No. 25-7406 authorizing the proposed Fourth Amendment to Permit No. 897 between the Harbor Department and Catalina Channel Express, Inc. to make the following retroactive changes:
  - a. Effective July 25, 2023, amend language to define compensation years and outline requirements to implement percentage rent compensation,
  - b. Effective July 25, 2024, increase the minimum annual rent, which is subject to annual changes in the Consumer Price Index, by \$146,456, from \$497,596 to \$644,052;
2. Adopt the August 28, 2025 Board of Harbor Commissioners findings that the proposed action is administratively and categorically exempt from the requirements of California Environmental Quality Act (CEQA) under Article II Section 2(f) and 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 Amendment and Order, 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. 25-10591 and Order No. 25-7406 (Attachment 1) which authorize the proposed Fourth Amendment to Permit No. 897 (Amendment) between the Los Angeles Harbor Department (Harbor Department) and Catalina Channel Express, Inc. (Catalina Express). The approval will retroactively amend language in Permit No. 897 (Permit) to define compensation years and outline requirements to initiate percentage rent compensation effective July 25, 2023, and reset compensation effective July 25, 2024.

Order No. 25-7406 will retroactively implement percentage compensation equal to five percent of Gross Receipts<sup>1</sup> that exceeds the fixed minimum rent, and two percent of Gross Receipts arising from or related to freight operations conducted on the premises that exceeds fixed minimum rent, effective July 25, 2023. The Order will also increase the fixed minimum annual rent, subject to annual Consumer Price Index (CPI) adjustments, by \$146,456, from \$497,596 to \$644,052 effective July 25, 2024, until the next five-year compensation reset is due on July 24, 2029. All other terms and conditions of the twenty-five-year Permit, which expires on March 29, 2037, remain the same.

The Office of the City Attorney has reviewed and approved the Amendment as to form. Pursuant to Charter Section 606, Council approval is required due to the cumulative term of the Permit exceeding five years. Our Office has reviewed the request and recommends approval.

## **BACKGROUND**

Since 1981, Catalina Express operated passenger ferry services in the Port of Los Angeles (Port), transporting tourists and commuters between San Pedro and Catalina Island. There have been multiple permits including a month-to-month revocable permit between 1981 and 1990 (RP 1467), a five-year term agreement from 1990 to 1995 (Permit No. 639) and a ten-year term agreement from 1995 to 2005 (Permit No. 768). Catalina Express operates several boats and catamarans that have the capacity to carry approximately 150 to 350 passengers, which can reach Catalina Island in approximately one hour of travel. Under Permit No. 768, Catalina Express operated public passenger facility and maintenance operations at Port Berths 95 and 96. After the expiration of Permit No. 768, Catalina Express was under a “hold-over status” (month-to-month) until approval of the new Permit.

China Shipping Lawsuit Impact - In 2001, a lawsuit was filed against the Port and the City of Los Angeles over a permit with China Shipping to operate a container terminal. China Shipping, one of the largest shipping lines and container terminals at the Port, planned to expand its container terminal operations to meet future business capacity. The Port subsequently agreed to settle a damage claim from the lawsuit with China Shipping through an amendment to the permit with them. The Port needed to make Berth 96 available to China Shipping to avoid additional legal penalties because of the settlement. To do this, the Port requested Catalina Express to relocate its public passenger facility to the contiguous Berth 94. Catalina Express would continue to occupy Berth 95, the existing location for its maintenance building and operations. Due to the relocation

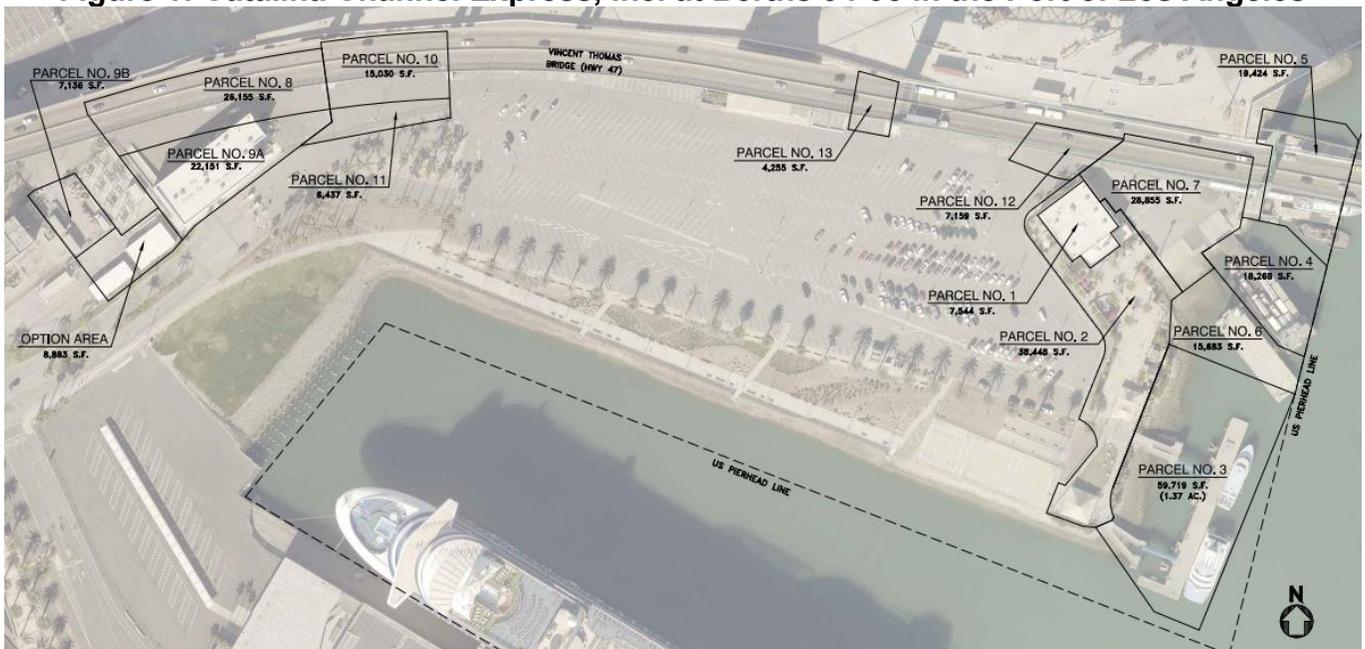
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<sup>1</sup> Gross Receipts: includes, but is not limited to, monies collected from rentals, services, food, beverages, and the sale or delivery of goods, wares, and merchandise, exclusive of retail sales taxes, excise taxes, and other direct taxes on the consumer.

to the new terminal site and revised contractual provisions, the Port proposed a new agreement with Catalina Express, under the new Permit.

*Premises* – The site is 276,264 square feet of Harbor Department property, consisting of 110,571 square feet of land, 113,094 square feet of submerged land, and 52,599 square feet of CalTrans easement-encumbered land located at Berths 94-95 in the Port. Catalina Express is entitled to use Parcels 1 through 7, where Parcel 1 includes a warehouse building, Parcel 2 is unimproved space, Parcel 3 contains water and wharf area at Berth 94, Parcel 4 consists of berth and water area at Berth 95, Parcel 5 has land area at Berth 95, Parcel 6 has water area at Berths 94-95, and Parcel 7 consists of paved land area. Catalina Express is also entitled to use or sublease Parcels 9A, 9B, and 11 for freight operations. Parcels 8, 10, 12, and 13 are easements and are not used in calculating percentage rent. See Figure 1 below.

**Figure 1: Catalina Channel Express, Inc. at Berths 94-95 in the Port of Los Angeles**



Note: Picture not to scale, refer to Attachment 2 for actual picture.

*Original Permit* – On January 5, 2012, the Board approved Resolution No. 12-7242, granting the Permit for Catalina Express to operate passenger vessel ferry services transporting tourists and commuters between San Pedro and Catalina Island from Berths 94-95 in the Port. On March 27, 2012, Council approved the January 5, 2012 Board action (CF# 12-0344). The Permit was a successor to Permit No. 768, under which Catalina Express operated their facility out of Berths 95-96. The Permit is for a term of twenty-five years from March 30, 2012 through March 29, 2037.

*First Amendment* – On July 24, 2014, the Board approved the First Amendment through Resolution No. 14-7164 to approve a Settlement Agreement and Release of Claims to settle any and all claims, disputes, and controversies associated with the relocation of Catalina Express as well as those in connection with overpaid percentage rent under the prior Permit No. 768. The compensation set forth in the First Amendment reflects the negotiated settlement amounts.

*Second Amendment* – Approved by the Board on April 9, 2015 via Resolution No. 15-7789, the Second Amendment authorized Catalina Express to construct, at their own cost, an administrative office and freight facility to process and transport freight to and from Catalina Island. This construction allowed Catalina Express to relocate its reservations center and approximately 35 to 40 jobs from the City of Long Beach to San Pedro. Freight operations began to Catalina Island in April 2016. It was noted in the Second Amendment that beginning in July 2023, compensation would be amended so that Catalina Express would pay the higher of the two charges for fixed minimum compensation or percentage compensation.

*Third Amendment* – Approved by the Board on June 1, 2017, the Third Amendment via Resolution No. 17-8116 increased the total property area Catalina Express leased from the Port so that they could accommodate additional freight operations with Avalon Freight Services, Inc., a sub-lessee of Catalina Express. Increasing the property area increased the minimum annual rent by \$48,974, from \$259,073 to \$308,047.

*Proposed Fourth Amendment and Order No. 25-7406* – The proposed Fourth Amendment and Order No. 25-7406 will retroactively amend language in the Permit, effective July 25, 2023, to:

- 1) define compensation year to mean a calendar year, or a period of twelve consecutive calendar months commencing on January 1 annually, and
- 2) outline requirements to implement percentage rent compensation equal to five percent of Gross Receipts (parcels 1-7) that exceed fixed minimum rent on an annual basis and two percent of Gross Receipts (parcels 9A, 9B, and 11) arising from or related to any freight operations conducted on the Premises that exceeds fixed minimum rent.

The Order will also reset compensation to increase the fixed minimum annual rent by \$146,456, from \$497,596 to \$644,052, for the five-year period retroactive to July 25, 2024.

*Compensation* – Compensation under the Permit includes fixed minimum annual rent subject to annual changes in the CPI, and five-year readjustments. Order No. 25-7406 will retroactively reset compensation effective July 25, 2024, until the next five-year compensation reset is due on July 24, 2029. The compensation reset will increase the fixed minimum annual rent by \$146,456, from \$497,596 to \$644,052. The Order will also require Catalina Express to retroactively pay annual percentage rent effective July 25, 2023, equal to five percent of Gross Receipts that exceed the fixed minimum rent, and two percent of Gross Receipts arising from or related to any freight operations conducted on the premises that exceed the fixed minimum rent.

All other terms and conditions of the twenty-five Permit expiring on March 29, 2037 remain the same.

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – On August 28, 2025, the Board determined that the proposed action of approving the Order and Amendment is an administrative activity and involves negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 1(14) of the

Los Angeles City CEQA Guidelines.

The Office of the City Attorney has reviewed and approved the proposed Amendment as to form. Pursuant to Charter Section 606, Council approval is required due to the cumulative term of the Permit exceeding five 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 the proposed Fourth Amendment to Permit No. 897 with Catalina Channel Express, Inc. and Order No. 25-7406 will retroactively implement percentage rent compensation and reset minimum rent compensation. Retroactive to July 25, 2023, percentage rent compensation will be added, equal to five percent of Gross Receipts that exceed the fixed minimum rent compensation and two percent of Gross Receipts arising from or related to freight operations conducted on the premises that exceed fixed minimum rent compensation. The fixed minimum annual rent, subject to annual changes in the Consumer Price Index, will increase by \$146,456, from \$497,596 to \$644,052 effective July 25, 2024 through July 24, 2029. 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. 25-10591 dated August 14, 2025, and proposed Order No. 25-7406 and Fourth Amendment to Permit No. 897

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