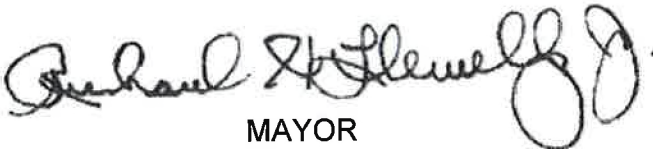


TRANSMITTAL		0150-10981-0001
TO Eugene D. Seroka, Executive Director Harbor Department		DATE 07/26/21
		COUNCIL FILE NO. 12-0743
FROM The Mayor		COUNCIL DISTRICT 15
PROPOSED SECOND AMENDMENT TO PERMIT NO. 899 WITH PACIFIC BATTLESHIP CENTER Transmitted for further processing and Council consideration. See the City Administrative Officer report attached.  MAYOR (Rich Llewellyn for)		

RHL:JCY:10210137t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 2, 2021

CAO File No. 0150-10981-0001

Council File No. 12-0743

Council District: 15

To: The Mayor

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

Reference: Correspondence from the Harbor Department dated January 14, 2021; referred by the Mayor for report February 9, 2021

Subject: **PROPOSED SECOND AMENDMENT TO PERMIT NO. 899 WITH PACIFIC BATTLESHIP CENTER**

RECOMMENDATIONS

Approve Harbor Department (Port) Resolution No. 21-9747 authorizing a proposed Second Amendment to Permit No. 899 with Pacific Battleship Center to allow for up to a 12-month minimum rent deferral and repayment terms; and, return the Resolution 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. 21-9747 authorizing a proposed Second Amendment (Amendment) to Permit No. 899 (Permit) with Pacific Battleship Center (PBC) to allow for up to a 12-month deferral of minimum rent obligations, from July 1, 2020 through June 30, 2021, and to add terms for repayment over a subsequent 11-month period. Under the proposed Amendment, PBC is still required to submit a monthly percentage of gross receipts as rent. The Port estimates that approval of the proposed Amendment will result in a total rent deferral amount of up to \$96,000 from July 1, 2020 through May 25, 2022. All other terms and conditions of the Permit shall remain the same. The Permit is currently valid for a 10-year period, through May 25, 2022, with two five-year renewal options for a total term of up to 20 years.

BACKGROUND

PBC operates the historic battleship USS Iowa as a military museum and education center, occupying approximately 4.43 acres along the waterfront at Berths 87-89 at the Port of Los Angeles (POLA). PBC depends on admission and special event fees and donations for revenue. The Coronavirus Disease 2019 (Covid-19) pandemic and related restrictions on travel and allowable

capacity at businesses the state of California (State) deemed non-essential have severely impacted PBC operations and resulting cash flow since March 2020. The Port reports that gross sales at the USS Iowa for the 10-month period from January to October 2020 were down 67.5 percent compared to the same period in 2019. PBC submitted a request for rent deferral on May 4, 2020 and has experienced continued impacts to operations and cash flow through the first quarter of 2021.

The Port has developed criteria for evaluating potential rent relief requests from waterfront/commercial tenants who have been financially impacted by the Covid-19 pandemic, including considering a tenant's history and time left on the permit term, the pandemic impact on business and jobs, proof of business lost, and expected return to normal business operations. PBC meets these requirements. PBC was a Tenant in Good Standing prior to the pandemic, paying all required compensation through June 2020, and currently has 12 years left on its permit. PBC's business has been impacted by the pandemic and related government directives, including limitations on non-essential businesses and travel and capacity at indoor locations. PBC applied for and received a Paycheck Protection Program loan for \$254,225 and Economic Injury Disaster Loan for \$150,000 from the federal Small Business Administration, but 2020 gross sales through October 2020 were down more than \$1.5 million, and PBC reduced staffing levels to approximately 23 active employees from a regular level of 53 employees.

Under the current Permit, PBC pays the Port a fixed minimum annual rent in equal monthly installments, which was \$8,840.83 from January to August 2020, and \$9,081.81 starting in September 2020. PBC additionally pays four percent of its gross receipts that exceed the monthly minimum. The proposed Amendment would allow PBC to defer payment on the minimum compensation requirement for up to 12 months, beginning July 1, 2020, while still paying the existing rate of four percent of the monthly gross receipts. Any amount up to the minimum rent due that is not paid at the time may be deferred. The Port will calculate the total amount deferred after June 30, 2021, and PBC must repay the deferred amount in equal monthly installments beginning July 2021, with full repayment concluding May 25, 2022. Rent deferred shall not incur late fees or other finance charges. Once the repayment period begins, Delinquent Compensation Payments (Section 5.6) and Default and Termination (Section 9) provisions of the Permit will apply. These provisions state that rental payments due that are not paid within 10 days of the due date shall be subject to a percent service charge per day; and, if the tenant defaults on payment, the Port may give the tenant a 3-day notice to pay, after which time the Port could terminate the Permit agreement. The Port reports that monthly deferral amounts averaged \$7,074.53 over the four-month period from July 1 to October 31, 2020, and anticipates a total deferral range of \$66,000 to \$96,000 over the one-year deferral period.

PBC is a registered 501(c)(3) nonprofit organization formed in 2008, and operates programs solely on, adjacent, or in relation to the USS Iowa. The Board approved Resolution No. 10-7038 in 2010 to provisionally support an agreement with PBC and the permanent berthing of the USS Iowa at the POLA pending United States Navy approval, completion of a Board-certified Environmental Impact Report, and demonstration of sufficient funding to meet all financial obligations related to start-up funding and long-term operations. PBC met these criteria and the Council ultimately approved the current Permit term effective May 26, 2012 (C.F. 12-0743). The Council approved a

First Amendment to the Permit in August 2017 that authorized changes to special event allowances and related insurance requirements, overnight security policies, and maintenance and repair commitments.

The City Attorney has approved the proposed Amendment As to form and legality. The proposed Amendment and Permit comply with all applicable provisions of City Ordinances and permit requirements. In accordance with Charter Section 606, the Amendment requires council approval because the Permit term exceeds five years. The Port states that the proposed action is an amendment of compensation requirements, which is an administrative activity and is therefore administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

The proposed Second Amendment to Harbor Department (Port) Permit No. 899 with Pacific Battleship Center allows for up to a 12-month deferral of minimum rent obligations estimated at up to \$96,000, from July 1, 2020 through June 30, 2021, and adds terms for repayment over a subsequent 11-month period. The proposed terms meet Port leasing and financial policies. All receipts will be deposited in the Harbor Revenue Fund. There is no impact on the City General Fund.

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