

RECOMMENDATION APPROVED;
RESOLUTION 26-10779 (PERMIT 692) ADOPTED;
BY THE BOARD OF HARBOR COMMISSIONERS

August 27, 2026

AMKlesges

AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: AUGUST 20, 2026

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 26-10779 - APPROVAL OF FOURTEENTH
AMENDMENT TO PERMIT NO. 692 WITH YUSEN TERMINALS LLC

SUMMARY:

Staff requests approval of the Fourteenth Amendment (Amendment) to Permit No. 692 (Permit) with Yusen Terminals LLC (Yusen) to effect the following material changes to the Permit:

1. Extend the term for an additional 30 years, from October 1, 2026, through September 30, 2056, for a total aggregate term of 65 years;
2. Reset the rates to reflect the fair market value of the Premises and modify the compensation adjustment process;
3. Update the Guaranty and include a reopener for requiring a letter of credit if Yusen's Guarantor's financial wherewithal falls below agreed upon financial thresholds;
4. Add environmental conditions requiring the transition of terminal equipment to zero emissions;
5. Update the transfer provision to be consistent with the City of Los Angeles Harbor Department's (Harbor Department) current consent requirements and to include a transfer fee; and
6. Update insurance coverage types and increase dollar limits to be consistent with requirements as approved by the Harbor Department's Risk Management Division.

If the proposed Amendment is approved, then guaranteed rent over the five-year period from October 1, 2026, through September 30, 2031, would increase by \$10.4 million, or 4.8 percent, relative to five years of guaranteed rent at current levels.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Consider the Addendum to the previously adopted Final Environmental Impact Report for the Berths 212-224 [YTI] Container Terminal Improvements Project;
2. Find that in accordance with the provisions of the California Environmental Quality Act (CEQA) Guidelines Section 15164, the Fourteenth Amendment to Permit No. 692 will not result in any new significant environmental effects or substantially more severe effects than previously analyzed in the adopted Final Environmental Impact Report for the Berths 212-224 [YTI] Container Terminal Improvements Project;

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

3. Find that an additional term of 30 years for the Fourteenth Amendment to Permit 692 is in the best interest of the City of Los Angeles Harbor Department;
4. Approve the Fourteenth Amendment to Permit No. 692 with Yusen Terminals LLC;
5. Direct the Board Secretary to transmit the Fourteenth Amendment to Permit No. 692 to the City Council for approval pursuant to Section 606 and Section 607 of the City Charter;
6. Approve the Guaranty provided by Ocean Network Express, Pte, Ltd;
7. Authorize the Executive Director to execute, and the Board Secretary to attest to, the Fourteenth Amendment to Permit No. 692;
8. Authorize the Environmental Management Division to file a Notice of Determination with the Los Angeles County Clerk and State Clearinghouse; and
9. Adopt Resolution No. 210-10779.

DISCUSSION:

Background – The Harbor Department issued Yusen, a terminal operator at the Port of Los Angeles (Port), the Permit, as amended, to operate through September 30, 2026. Yusen operates a marine container terminal consisting of 231.87 acres (Transmittal 1). Under this action, staff recommends amending the Permit to effect several material changes, including the extension of the term.

Most notably, staff proposes to extend the Permit term for an additional 30 years, from October 1, 2026, through September 30, 2056, for a total aggregate term of 65 years. This extension is in the best interest of the Harbor Department for the following reasons:

1. Continuity of Terminal Operations and Guaranteed Revenue Stream

Issuance of a long-term Permit extension allows for continuity of operations of a long-term tenant in good standing and guarantees a predictable, long-term fair market value revenue stream to the Harbor Department which includes periodic, mandatory rent adjustments throughout the term extension.

DATE: AUGUST 20, 2026

PAGE 3 OF 10

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

Additionally, a long-term extension of this Permit contractually secures a financially viable and premier container-terminal operator for an additional 30 years and prevents cargo diversion to other ports, aligning with Harbor Department objectives to remain a primary gateway for international commerce. It further stabilizes logistics networks by allowing long-term planning with shipping alliances and supports thousands of maritime jobs locally and statewide. Yusen is the third largest container terminal by container volume in the Port. It is the largest terminal by volume north of the Vincent Thomas bridge. Its parent company, ONE LINE, has been either the largest or second largest container line in terms of container volume over the last six years.

2. Promotes Green Zero Emissions and Other Environmental Initiatives

A long-term extension of this Permit further promotes the continued relationship with a tenant, which historically has shown a commitment to Harbor Department initiatives and goals such as the San Pedro Bay Ports Clean Air Action Plan. This extension requires Yusen to take steps towards making significant investment in zero emissions equipment while providing sufficient term to allow Yusen to amortize large investment costs, currently estimated and represented by Yusen to be approximately \$200 million.

Committing to a long-term extension allows the Harbor Department and Yusen to lock in enforceable environmental goals that benefit not only the Harbor Department, but the broader San Pedro Bay climate goals of reduced emissions.

3. Favorable Lease Terms

Through this extension, the Harbor Department is securing favorable lease terms relative to increased rates that increase volume certainty; a new transfer provision that includes a robust consent process and allows the Harbor Department to participate financially in a change in ownership or assignment; increased insurance limits to mitigate the Harbor Department's exposure to liability; and a host of other changes detailed below that are in the Harbor Department's best interest.

Provided below are the proposed material terms, which have been agreed to by Yusen. (Transmittal 2):

DATE: AUGUST 20, 2026

PAGE 4 OF 10

SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC

<u>Provision</u>	<u>Current Permit</u>	<u>Proposed Fourteenth Amendment</u>
Effective Date	October 27, 1990	October 1, 2026
Expiration Date/Holdover Rate	September 30, 2026 Holdover rate: 100%	September 30, 2056 Holdover rate: 150%
Premises	231.87 acres	The Premises remain the same. However, maps from various amendments have been consolidated into one map exhibit for clarity and conciseness.
Rent		
Rent Components	MAG ¹ : 181.36 Fixed Rent: 16.76 Shared Rail ² : 33.75 Total: 231.87 TEU ³ Rates: Volume-based efficiency scale	No change
MAG/acre	\$218,499	Y1: \$219,000 Y2: \$220,000 Y3: \$225,000 Y4: \$235,000 Y5: \$245,000 MAG subject to General Rate Increase (GRI), and 5-year reset
Fixed per acre	\$187,018/acre Subject to five-year reset	Y1: \$187,502/acre Y2-5: +>3% or CPI
Total Five-Year Guaranteed Rent	MAG: \$198.1M Fixed Rent: \$15.7M \$213.8M	MAG: \$207.5M Fixed Rent: \$16.7M \$224.2M

DATE: AUGUST 20, 2026

PAGE 5 OF 10

SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC

TEU Rates	~\$47/TEU (7000 TEUs/acre) Subject to GRI increase/five-year reset	No change
GRI	Any increase in the Tariff rate for Merchandise Not Otherwise Specified [N.O.S. rate], shall, upon the effective date thereof, be, immediately and automatically applicable to readjust the MAG, Fixed Rent and TEU rates.	No change
Five-Year Rate Adjustment Process and Surcharge	MAG, Fixed Rent, and TEU rates subject to 5-year adjustment. <u>Negotiations:</u> To commence <u>nine</u> months in advance of fair market value (FMV) adjustment date. If no agreement is reached by the <u>due date</u>, the parties may initiate the appraisal process and submit opinions of FMV via appraisals to the Board for a final determination of compensation. <u>Surcharge:</u> None. If, despite best efforts, the parties are unable to mutually agree upon the adjusted rent by the due date, Harbor Department does not have the ability to impose a surcharge.	MAG, Fixed Rent, and TEU rates subject to 5-year adjustment. <u>Negotiations:</u> To commence <u>12</u> months in advance of FMV adjustment date. If no agreement is reached by <u>six months prior</u> to the due date, the parties may initiate the appraisal process and submit opinions of FMV via appraisals to the Board for a final determination of compensation. <u>Surcharge:</u> 150% of prior rent. If the parties are unable to mutually agree to the adjusted rate by the due date, the Harbor Department may impose a surcharge of up to 150% of the prior rent. 150% surcharge will be suspended upon the date Yusen's appraiser submits its opinion of FMV via its appraisal to the Board for decision. The Board may resume the 150% surcharge if YTI requests to suspend the appraisal process. Amounts collected in excess of rent due are credited to the tenant (Surcharge Credit) incrementally based on the date on which the reset is completed. See reconciliation process below.

DATE: AUGUST 20, 2026

PAGE 6 OF 10

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

Surcharge Reconciliation	Not applicable. There is no surcharge.	150% Surcharge Credit reconciled as follows: - o Agreement on the adjusted rates within 30 days of adjustment due date: 100% of any monies in excess of the rent (i.e., MAG and TEU rates) in effect at the end of the fifth year of the five-year period preceding the adjusted 5-Year Period (Excess Rent) will count against the new compensation due (New Rent). - o Agreement on the adjusted rates within 31-90 days of the adjustment due date: 50% of the Excess Rent will count against the New Rent. - o Agreement on the adjusted rates 91+ days of the adjustment due date: 0% of the Excess Rent will count against the New Rent.
Guaranty	Guarantees are furnished by Yusen's parent companies: 1. Ocean Network Express Pte, Ltd.; - and 2. Ocean Network Express, Holdings, Ltd.	1) Guaranty furnished by Yusen's parent company, Ocean Network Express Pte, Ltd. See analysis below. 2) Permit includes a reopener for requiring a letter of credit equaling six months of then-current guaranteed rent if the Guarantor's financial wherewithal falls below agreed upon thresholds. 3) Guarantor required to proactively advise the Harbor Department of changes to its monetary capacity in the context of its ability to meet the obligations set forth in the Guaranty.

DATE: AUGUST 20, 2026

PAGE 7 OF 10

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

Transfer	Transfers are prohibited, and subject to Board consent. However, there is no procedure, parameters or factors germane to the Harbor Department's consent to a majority change in ownership. Minority change in ownership does not require Board approval or consent.	Transfers are prohibited, and subject to Board consent. Amendment modernizes transfer provision, adds robust consent process.
Transfer Fee	No transfer fee.	Transfer fee applies to transfers >25% direct or indirect ownership of tenant. Transfer fee = 2% of Net Present Value (NPV) of the future years guaranteed rent due over the remaining life of the lease - using a 5% discount rate. Transfers involving affiliated companies (i.e., share same parent company as Yusen) are not subject to transfer fee and have abbreviated review process.
Environmental Conditions	Compliance with all environmental mitigation and lease measures reflected in the Mitigation Monitoring and Reporting Program (MMRP).	Compliance with all environmental mitigation and lease measures reflected in the Modified MMRP included in the Fourteenth Amendment to the Permit. New provision added concerning compliance with Environmental Permit Conditions for the transition of cargo handling equipment to zero emissions equipment consistent with the goals of the San Pedro Bay Ports Clean Air Action Plan.

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

Insurance/Indemnity	Insurance liability limits and coverage requirements are aligned with industry standards and market conditions of the respective period at that time when insurance was assessed.	Increases liability limits to appropriately align coverage with varying levels of risk and exposure, ensuring consistency with current market trends.
Definitions: ¹MAG: Minimum Annual Guarantee ²Shared rail: Nonexclusive port rail Infrastructure that is shared use by various parties; no rental rate. ³TEU: Twenty-equivalent Unit; The TEU rate fluctuates up and down on an efficiency scale which adjusts TEU charges based on the number of TEUs that are handled annually at the Premises on a per acre basis. The greater the number of TEUs a terminal handles annually on a per acre basis, the lower the per TEU rate.		

Analysis of Proposed Guaranty of Permit - Yusen currently provides security for the Permit via two corporate guarantees with Ocean Network Express Pte, Ltd. (ONE Pte); and Ocean Network Express, Holdings, Ltd. (collectively "Guarantors"). Yusen indicated that the Guarantors' financials will be consolidated, and therefore, would like to replace its security obligation with only one guaranty provided by Ocean Network Express Pte, Ltd (ONE Pte.) (Transmittal 3). The Finance Division reviewed the audited financial statements of ONE Pte. from 2019 to 2025, except for 2023 where the financial statements were not available, and observed that ONE Pte. appears to possess a reasonable level of financial wherewithal to serve as a guarantor for the Permit.

Given the long term associated with this proposed extension, a Letter of Credit (LOC) will be required as an additional layer of protection if Yusen's tangible net worth falls below \$200 million and if its liquidity/cash position falls below \$115 million. These minimum requirements will be applicable to the tangible net worth of the upstream parent and will be used to determine whether any LOC will be required.

ENVIRONMENTAL ASSESSMENT:

On November 7, 2014, the Board certified the Final Environmental Impact Report and approved the Berths 212-224 [YTI] Container Terminal Improvements Project (SCH No. 2013041017), which included constructing various improvements to the terminal such as deepening berths, installing sheet piles, expanding the on-dock rail facilities, and various cranes improvements and backland surface improvements (Approved Project). Permit No. 692, as amended in 2014, incorporated the Mitigation Monitoring and Reporting Program (MMRP) adopted by the Board in 2014 to ensure compliance with certain mitigation measures (MMs) and lease measures (LMs) that are the responsibility of Yusen (Tenant).

In June 2026, the Harbor Department issued the Addendum (Addendum) to the Environmental Impact Report for the Berths 212-224 [YTI] Container Terminal Improvements Project (Transmittal 4) and posted it on the Port's website. This Addendum

DATE: AUGUST 20, 2026

PAGE 9 OF 10

**SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC**

was prepared pursuant to CEQA and revises the Approved Project by extending the term of the Permit by 30 years to 1) allow for continued operations of an existing marine container terminal under new terms pertaining to annual equipment procurement planning, zero-emissions infrastructure planning, and transition to zero-emissions equipment; 2) complete remaining components of the Approved Project related to extending the height and outreach of up to six cranes and replacing up to two existing nonoperating cranes; and 3) modifies the timing of certain lease measures contained in the MMRP (Transmittal 5).

According to Section 15164(a) of the state CEQA Guidelines, the Lead Agency "shall prepare an addendum to a previously certified EIR if some changes or additions are necessary but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred." The Director of the Environmental Management Division has determined that none of the conditions set forth in CEQA Guidelines Section 15162 have occurred: there are "no new significant environmental effects or a substantial increase in the severity of previously identified significant effects." Therefore, an addendum is the appropriate document. An addendum does not need to be circulated for public review but can be included in or attached to the Final EIR per CEQA Guidelines Section 15164(c). The Board is required to "consider" the Addendum with the certified Final EIR prior to making a decision on the Project per CEQA Guidelines Section 15164(d).

The proposed action is to consider the Addendum and approve the Fourteenth Amendment to Permit No. 692 with Yusen. Based on the Addendum's analysis, the proposed action does not trigger any of the conditions calling for the preparation of a subsequent EIR under CEQA Guidelines Section 15162 because there are "no new significant environmental effects or a substantial increase in the severity of previously identified significant effects" as a result of the changes to the Approved Project and timing of lease measures in the adopted MMRP.

FINANCIAL IMPACT:

Approval of the proposed action will 1) revise the process for implementing five-year rate adjustments with applicable escalators; 2) increase the 5-Year Guaranteed Rent from \$213.8 million to \$224.2 million; 3) establish a 2 percent transfer fee allowing the Port to participate financially in the event of an ownership change or assignment; and 4) secure a LOC to provide financial assurance and credit protection if the tenant's financial position falls below the thresholds described above.

DATE: AUGUST 20, 2026

PAGE 10 OF 10

SUBJECT: APPROVAL OF FOURTEENTH AMENDMENT TO PERMIT NO. 692
WITH YUSEN TERMINALS LLC

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Fourteenth Amendment to Permit No. 692 as to form and legality.

TRANSMITTALS:

1. Permit No. 692 Site Map
2. Fourteenth Amendment to Permit No. 692
3. Guaranty
4. Addendum
5. MMRP

FIS Approval: JS
CA Approval: SO

Marisa L. Katnich
MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director

EDS:MD:MK:TK:db
BL1127db