

TRANSMITTAL			0150-09542-0001
TO Eugene D. Seroka, Executive Director Harbor Department		DATE OCT 12 2017	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15	
<p>PROPOSED FIRST AMENDMENT TO PERMIT NO. 892 WITH TRI-MARINE FISH COMPANY, LLC</p> <p>Transmitted for further processing and Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: right;"> Ana Guerrero MAYOR</div>			
RHL:ABN:10180021t			

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 4, 2017

CAO File No. 0150-09542-0001

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 July 28, 2017; referred by the Mayor for report dated August 14, 2017

Subject: **PROPOSED FIRST AMENDMENT TO PERMIT NO. 892 WITH TRI-MARINE FISH COMPANY, LLC**

RECOMMENDATIONS

That the Mayor:

1. Approve Harbor Department (Port) Resolution No. 17-8139 authorizing the proposed First Amendment to Permit No. 892 with Tri-Marine Fish Company LLC; 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. 17-8139 authorizing a proposed First Amendment (Amendment) to Permit No. 895 (Permit) with Tri-Marine Fish Company LLC (Tri-Marine) to continue operating a wet-fish processing operation at the Fish Harbor, Terminal Island (Fish Harbor). The proposed Amendment will include the following requested changes to the Port of Los Angeles (POLA) Permit and properties:

- Modify the existing land in the Permit by combining parcels and including additional land areas;
- Provide Tri-Marine with a First Right of Refusal option for a land parcel owned by the POLA;
- Replace the existing 20-year term with a new fixed 20-year contract term, beginning on the effective date of approval of the Amendment, with a revised annual Rate of Return (ROR);
- Revise the rents to include Minimum Annual Rent (MAR) and rent percentage provisions;
- Establish a five-year rental reset provision based upon market-based rates and annual rents, including an annual Consumer Price Index (CPI) adjustment; and,
- Provide a one-time rental credit to Tri-Marine for installing and improving its property.

BACKGROUND

In January 2011, the Mayor and Council approved Tri-Marine and three other wet fish commercial processing operations at Port waterfront land at the Fish Harbor (C.F.11-0820). The four fishing operations had an initial five-year term, with three additional five-year renewal options, for a total of 20 years. Currently, the Permit with Tri-Marine pays the Port approximately \$299,884 per year, at an annual ROR of five percent, with no provision for a five-year adjustment to the rental rate.

PROPOSED AMENDMENT WITH TRI-MARINE

The proposed Amendment between the Port and Tri-Marine will continue to provide stability, growth and flexibility to develop commercialized fishing operations at the POLA through a new 20-year contract term. In FY 2016/17, Tri-Marine paid the Port an annual rent amount of \$299,884. In the proposed Amendment, Tri-Marine will be responsible to pay the Port an annual estimated rent amount of \$572,792, an increase of \$272,908 or approximately 48 percent, based on revised market rates. The estimated annual rental amount of \$572,792 paid to the Port will include both the MAR and rental percentage. The proposed MAR is at \$426,474 and is calculated using a land value of \$22 per square foot. The POLA Leasing Policy's goal is to achieve a 10 percent ROR target on land and 12 percent ROR target on building and office space and other improvements. Upon approval of the proposed Amendment, the annual ROR will increase from approximately five percent to an average of 10.1 percent. According to the Port, this ROR is consistent with the POLA Leasing Policy.

In addition to the MAR, Tri-Marine must pay to the Port a "percentage rent" amount, which is defined as a percentage of revenue of one-half of one cent (\$0.005) per pound of fish products and one-tenth of one cent (\$0.001) per pound of any other product processed through its facility. Tri-Marine will pay an estimated rental amount of \$136,318 per year, which is based on a "percentage rent" of the weight and cost of fish and other products offloaded and processed through its facility. The Port will provide a 28 percent discount for Tri-Marine participation in the "percentage rent." The rental rates are comparable to and competitive with similar wet-fish operations in the POLA and will allow Tri-Marine to maintain full employment during periods when local fishing is "off season or "off-peak." According to the Port, the Tri-Marine's initial investment in its operations has exceeded \$10 million.

The Port will give Tri-Marine a one-time rental credit up to \$130,000 for its improvements to the office building and installation of new fencing to secure the business property. The Port has agreed to pay for the installation of additional exterior lighting at an estimated cost of \$40,000 to help with safety and security on the property. Tri-Marine will be responsible for all utility charges incurred by and all maintenance costs associated with the new lighting under this Permit.

The City Attorney has reviewed and approved the proposed Amendment as to form. Pursuant to Charter Section 606, Mayor and Council approval is required because the lease term exceeds five years. The Port Director of Environmental Management has determined that the proposed action involves the use of an existing facility and is therefore exempt from the applicable requirements of the California Environmental Quality Act (CEQA) and Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

The proposed Amendment to Permit No. 895 between the Harbor Department (Port) and Tri-Marine Fish Company (Tri-Marine) will extend the Permit to a new 20-year lease term and revise the rental structure, including a rental reset and provision of a one-time rental credit. The proposed Amendment, will increase the Minimum Annual Rent (MAR) that Tri-Marine pays to the Port from \$299,884 in FY 2016/17 to an annual estimated amount of \$562,792, an increase of \$262,908 or approximately 48 percent. The estimated amount of \$562,792 will increase the annual ROR from five percent to approximately 10.1 percent, consistent with Port policy. There will be no impact to the City General Fund and funds will be deposited into the Harbor Revenue Fund.