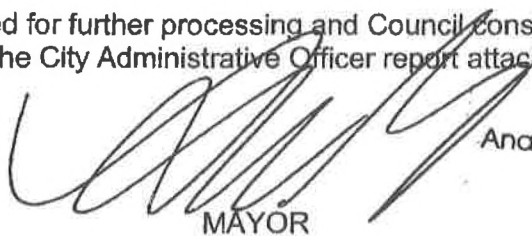


TRANSMITTAL		0150-06047-0004
TO Eugene D. Seroka, Executive Director Harbor Department		DATE OCT 12 2017
FROM The Mayor		COUNCIL FILE NO. COUNCIL DISTRICT 15
<p>PROPOSED PERMIT NO. 930 WITH THE JANKOVICH COMPANY</p> <p>Transmitted for further processing and Council consideration. See the City Administrative Officer report attached.</p> <div style="display: flex; justify-content: center; align-items: center;">  <div> <p>Ana Guerrero</p> <p>MAYOR</p> </div> </div>		
RHL:ABN:101800331		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 11, 2017

CAO File No. 0150-06047-0004
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 August 30, 2017; referred by the Mayor for report dated September 8, 2017

Subject: **PROPOSED PERMIT NO. 930 WITH THE JANKOVICH COMPANY**

RECOMMENDATIONS

That the Mayor:

1. Approve Harbor Department (Port) Resolution No. 17-8174 authorizing new proposed Permit No. 930 with The Jankovich Company (Jankovich) to relocate its marine fueling terminal from Berth 74 to Berths 73A, 51 and the office space at the Canetti's building; 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. 17-8174 authorizing proposed Permit No. 930 (Permit) with The Jankovich Company (Jankovich) to relocate its marine fueling terminal from its currently operating site at the Port of Los Angeles (POLA) on Berth 74 to proposed operating Berths 73A and 51 and the Canetti's building. The Port is requesting Jankovich to relocate to Berth 73A because the current site conflicts with the ongoing Port Master Plan and the development of the San Pedro Public Market at the Ports of O'Call (POC) Village. The Port Master Plan has set-aside this area for "visitor-serving commercial use." The proposed Permit will include a new long-term lease to allow Jankovich to move its operations from the current Ports O'Call site to Berth 73A, Berth 51 and the Canetti's Building, for office space. The property subject to this Permit includes 10 parcels in the POLA for a total area of approximately 128,735 square feet consisting of land, wharf, water and submerged land and building space. The proposed Permit with Jankovich will be for a 20-year term, with two five-year renewal options, a total up to a total of 30 years. The Board must approve all renewal options under the Permit. See the Attachment for a summary of selective terms and improvements in the proposed Permit.

DISCUSSION

Jankovich has operated this facility since 1933 and employs approximately 40 full-time employees. Jankovich is described as full-service land and marine company distributor that provides lubricants and specialty products in Southern California. The Port currently leases property to Jankovich under a Revocable Permit to operate a marine fuel station/terminal to supply diesel fuel, gasoline and lubricants to vessels at Berth 74 in the POLA. This fueling station services tugboats, cruise ships,

Port Police, United States Coast Guard, Los Angeles (LA) Fire Department vessels and other shipping operations within the harbor. This facility currently contains storage tanks for diesel fuel, gasoline and lubricants for vessels of various sizes and types.

In 2013, the Board approved the redevelopment of the POC Village and, in 2015, approved a 50-year lease for the new San Pedro Public Market. Relocation of Jankovich to Berth 73A will require a subsequent amendment to the Port Master Plan (Plan) because of its marine support operations. The Port states that the amendment to the Plan must be certified by the California Coastal Commission (CCC). Denial of the amendment may delay implementation of the Plan. The CCC is a state agency with regulatory oversight over land use and public access in the California coastal zone.

The Port states that Jankovich will be responsible to make certain improvements to its relocation sites: Berth 73A facility; Berth 51 Area; Canetti's Building; and Truck Access and Parking Lot. The improvements will include, but will not be limited to, the following activities: restoring the existing premises on Berth 74; designing, constructing and restoring any existing and new improvements at the proposed new premises at Berth 73A; and paying the greater of approximately \$290,402 in annual rent or "percentage rent." A "percentage rent" is a fractional increase in rent based upon certain levels of output and percentage of gross sales. The cost will include Port-approved tariff charges. The Port will provide Jankovich with a total of \$3 million in rental credit in exchange for the company's planned improvements to upgrade Berth 73A and Berth 51 (\$2.5 million) and to upgrade the Canetti's building (\$500,000). Jankovich will be solely responsible for costs associated with the development, construction, environmental, permitting, and design work for the improvements. The Port states that the POLA will not be responsible for any of the construction and improvement costs.

The City Attorney has approved the proposed Permit as to form and legality. The proposed Permit is in compliance with all applicable provisions of City Ordinances and contracting requirements. The date of approval for the proposed Permit will become effective upon approval by the Mayor and Council. Pursuant to Charter Sections 606, the Mayor and Council must approve the lease permit because it exceeds five years. The Port Director of Environmental Management states that it will provide an addendum to the certified Environmental Impact Study and Report (EIS/EIR) for the San Pedro Waterfront Project. Therefore, the proposed action will not result in any new significant environmental impacts other than what was previously identified in the certified EIR.

FISCAL IMPACT STATEMENT

The Jankovich Company (Jankovich) will pay the Harbor Department (Port) an annual rent amount of approximately \$290,402 for Berth 73A, Berth 51, the Canetti building, and Truck Access and Parking Lot. The cost breakdown will include a minimum annual rent of \$193,538 for Berth 73A and Berth 51 and a competitive market rent amount of \$96,864 for the Canetti building and Truck Access and Parking Lot. The Port has agreed to provide Jankovich with a rental credit of \$3 million for the company's plan to upgrade and improve Berth 73A and Berth 51, at a projected cost of \$2.5 million, and to upgrade and improve the Canetti's building for office space, at a projected cost of \$500,000. Jankovich will be responsible for all costs, including but not limited to, development, construction, permitting and design of improvement in exchange for the rental credit. According to the Port, the net present value of the proposed Permit to the Port will equal a positive \$1.7 million.

RHL:ABN:10180033

Attachment

ATTACHMENT

SUMMARY OF SELECTIVE TERMS OF THE PROPOSED PERMIT WITH JANKOVICH

1. Term	<p>20-year term, with two 5-year renewal options, for Berth 73A, the Canetti building for office space and the Truck Access/Parking lot.</p> <p>10-year term Revocable Permit for Berth 51. The Port may request Jankovich to vacate the premises with a 3-year notice.</p>
2. Premises/Property	Proposed Permit No. 930 will consist of 10 parcels comprised of a total area of 128,735 square feet for total land and wharf, subsurface land (beneath a surface), water/submerged land and tenant-owned buildings. Includes diesel fuel tank storages, floating fueling docks, and wharf for tugs and barges.
3. Construction	Construction costs for Jankovich will include development, construction, environmental, permitting, and design improvement. The Port will not contribute any other support.
4. Minimum Rent	Initial Annual Rent is approximately \$290,402 per year, which includes \$193,538 in Minimum Annual Rent (MAR) for Berth 73A and Berth 51, and competitive market rent of \$96,864 per year for the Canetti building and Truck Access and Parking Lot.
5. Percentage Rent	Jankovich will pay the percentage rent due which exceeds the MAR based on the following sales: gasoline and mixed fuels; diesel fuel sold to vessels and delivered by trucks; and gross receipts from lube oil and other businesses.
6. Dockage	Jankovich are responsible to pay annual dockage charges (for vessels tied up at a wharf) based on the POLA Tariff No. 4 rules and provisions.
7. Rent Adjustments	Adjust or reset rent every five years and Consumer Price Index every year.
8. Rent Credit	The Port will provide a rental credit of \$3 million to Jankovich to upgrade Berth 73A and Berth 51 (at \$2.5 million) and to upgrade the Canetti's building and Truck Access/Parking Lot (at \$500,000). For five years, the monthly rent and percentage rent will apply to the credit. Afterward the balance of the rental credit will be prorated for the next 10 years.
9. Assignment	If Jankovich assigns the Permit to another party, the Port will charge a 10% assignment fee based on the present value of the remaining term of the Permit.
10. Restoring the existing Port property, Berth 74	Jankovich will have up to 12 months to complete the restoration of Berth 74. The Port will perform monitoring, testing, reporting and remediation on the property.
11. Environmental Testing and Remediation	The Port has performed ongoing remediation to certain areas of Berth 73 due to contamination from prior tenants and will continue under agreed to provisions.
12. Port Master Plan	Currently, the use of the land (Berth 74) by Jankovich is inconsistent with the Port Master Plan. The Port Master Plan is proposed for an amendment, to relocate Jankovich, and must be certified by the California Coastal Commission