

RECOMMENDATION APPROVED;
RESOLUTION 19-8441 (PERMIT 930) ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

March 7, 2019

AMBER M. KLESSES
Board Secretary

DATE: FEBRUARY 28, 2019

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 19-8441 APPROVE FIRST
AMENDMENT TO PERMIT NO. 930 WITH THE JANKOVICH COMPANY

SUMMARY:

Staff requests approval of the First Amendment to Permit No. 930 with the Jankovich Company (Jankovich) for the use of City of Los Angeles Harbor Department (Harbor Department) property at Berths 73A, Berth 51 and the Canetti's Building (Permit 930 Premises). The First Amendment will grant Jankovich an additional year of no rent on the Permit 930 Premises through November 5, 2019.

Jankovich currently has the right to occupy and use the Permit 930 Premises to operate a marine fueling station under Permit No. 930. Concurrently, Jankovich also operates a marine fueling station at Berth 74 under Revocable Permit (RP) No. 12-11. Berth 74 falls within the development footprint of the San Pedro Public Market, and Jankovich was required to relocate its operations. Permit No. 930 was granted to facilitate this relocation. In order to allow Jankovich time to obtain all of the required permits to complete the construction of improvements at the Permit 930 Premises, the Harbor Department initially granted Jankovich up to one year of no rent on the Permit 930 Premises through November 2018. Despite diligent efforts, Jankovich has thus far been unable to obtain all required permits, and does not anticipate being able to complete construction and begin operations at Berth 73A until November 2019.

Jankovich will continue to pay monthly minimum rent and a percentage of gross receipts under RP No. 12-11. For calendar year 2018, Jankovich paid a total of \$298,000 for land rent, dockage, and gross receipts under RP No. 12-11. Under Permit No. 930, Jankovich is required to pay monthly minimum rent of \$24,200.16, plus percentage rent and monthly dockage charges. If the First Amendment is approved, the Harbor Department will forego \$290,402 in annual monthly minimum rent on the Permit 930 Premises through November 5, 2019.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management had determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Find that the proposed action is in the best interest of the City of Los Angeles Harbor Department despite the fact that the estimated rate of return on land for Permit No. 930 will not meet stated policy targets, as enacted by the Board, until December 2019;

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3. Approve First Amendment to Permit No. 930 with The Jankovich Company;
4. Direct the Board Secretary to transmit the First Amendment to Permit No. 930 to the City Council for approval pursuant to Charter Section 606;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Permit No. 930 upon Board approval contingent upon approval by the City Council; and
6. Adopt Resolution No. 19 - 8441.

DISCUSSION:

Background - The Harbor Department currently leases property to Jankovich under RP No. 12-11 to operate a marine fueling station at Berth 74. In November 2017, Permit No. 930 was granted to enable Jankovich to move its operations to Berth 73A, Berth 51, and the Canetti's Building (Transmittal 1) to accommodate the San Pedro Public Market development and to continue its operation as the only full service marine fueling station in the Port of Los Angeles. Jankovich has operated the facility on Berth 74 since approximately 1933; providing marine fuels and lubricants to small commercial, recreational, fishing vessels, as well as bunker fueling services to larger vessels. Jankovich employs approximately 40 full-time employees operating out of the four tenant-owned buildings, waterfront land, submerged land, and wharf space at Berth 74 on the southern tip of the San Pedro Public Market (Ports O'Call) development site.

Permit No. 930 included one year of no rent to allow Jankovich time to obtain all proper permits from various departments and agencies and then to complete necessary construction. However, Jankovich was unable to obtain all necessary permits in time to complete construction by November 2018, and requested an extension to complete construction and begin operations at Berth 73A. Staff has been actively involved in development of new Jankovich operations at Berth 73A and the Canetti's building. Jankovich has diligently pursued the development of the new leasehold premises but has been delayed as a result of third party entitlement and permitting processes.

Staff concluded that requiring Jankovich to pay rent at a non-operating Berth 73A and at the same time pay rent on existing premises would unduly burden Jankovich, considering the efforts made to complete the move to Berth 73A and Canetti's building. Therefore, staff and Jankovich reached the proposed agreement to postpone the payment of base rent to November 5, 2019. The final building permit has been received and parties do not anticipate any further delays.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the First Amendment to Permit No. 930 with Jankovich, which is the amendment of a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

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Pursuant to the terms of Permit No. 930, Jankovich is required to pay \$24,200.16 in monthly rent on the premises, plus percentage rent and monthly dockage charges commencing upon the earlier of the beginning of operations, or 12 months from the effective date of Permit No. 930. Approval of the proposed First Amendment will require Jankovich to begin paying monthly rent, percentage rent, and monthly dockage charges commencing November 5, 2019.

Given that Jankovich concurrently operates its marine fueling station at Berth 74, Jankovich will continue paying monthly rent, percentage rent, and monthly dockage charges under RP No. 12-11. Approval of the First Amendment will not impact Jankovich's payment of compensation under RP No. 12-11. Rather, approval of the First Amendment will relieve Jankovich of paying monthly base rent under both RP No. 12-11, as well as Permit No. 930, concurrently.

If the First Amendment is approved, the Harbor Department will forego \$290,402 in annual minimum rent which would have otherwise been due under Permit No. 930.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the First Amendment (Transmittal 2) to Permit No. 930 as to form and legality.

TRANSMITTALS:

1. Site Map
2. First Amendment



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: 
CA Approval: 



FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

EUGENE D. SEROKA
Executive Director