

RECOMMENDATION APPROVED;
RESOLUTION NO. 17-8145 (PERMIT 925) ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

August 10, 2017

Amber M. Klesges
AMBER M. KLESGES
Board Secretary

8-10-17
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DATE: AUGUST 2, 2017
FROM: CARGO & INDUSTRIAL REAL ESTATE
SUBJECT: RESOLUTION NO. 17-8145 - APPROVE PERMIT NO. 925
WITH AUGELLO ENTERPRISES, LLC

SUMMARY:

Staff requests approval of Permit No. 925 (Permit) with Augello Enterprises, LLC (Augello) for use of City of Los Angeles Harbor Department (Harbor Department) land on Terminal Island for a maximum term of 20 years (five years, with three five-year extension options). Approval of the proposed Permit will transfer rights for use of an existing tenant facility located in Fish Harbor to continue the wet fish processing operations. The Permit is consistent with other Fish Harbor permits and will provide the Harbor Department maximum flexibility for future planned development in Fish Harbor, while providing Augello an adequate term to plan for future business operations.

Under Permit No. 925, compensation to the Harbor Department will be set at \$101,856.48 annually (payable at \$8,488.04 per month), escalating eight percent per year for the first five years, plus annual Consumer Price Index (CPI) rate adjustments (with a floor of zero and no cap). All improvements on the premises are owned by the tenant, and as such, the tenant will be responsible for all operation and maintenance costs of the improvements.

RECOMMENDATION:

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Permit No. 925 with Augello Enterprises, LLC;
3. Direct the Board Secretary to transmit the Permit No. 925 to the City Council pursuant to Charter Section 606;
4. Authorize the Executive Director to execute and the Board Secretary to attest to proposed Permit No. 925 upon approval by City Council; and
5. Adopt Resolution No. 17-8145.

SUBJECT: TERM PERMIT WITH AUGELLO ENTERPRISES, LLC

DISCUSSION:

Background – In June 2011, the Harbor Department issued Permit No. 890 to Larry Gleason (Gleason) for an initial five-year term with three, five-year options for a maximum term of 20 years. Under Permit No. 890, Gleason was granted use of 45,775 square feet (s.f.) of Harbor Department land at 740 South Seaside Street for the purpose of operating and maintaining a facility for the offloading and processing of wet fish from commercial fishing boats, and associated water-dependent operations.

Recently, Gleason was acquired by Augello. As a result, Augello acquired all the existing assets located on the premises under Permit No. 890. In response to the acquisition, staff determined that the issuance of our latest term permit form with Augello is more beneficial than an assignment, since it contains updated provisions regarding indemnity, restoration, and tenant's environmental obligations and compliance.

For example, current market values are far higher than represented under the existing Permit No. 890. Under the proposed Permit, Augello's rent during the first year of the initial five-year period shall be \$8,488.04 per month. Thereafter, the rent will be adjusted eight percent per year, plus an annual CPI escalator. The CPI escalator shall remain in force and effect throughout the term of the Permit.

Summary of Significant Permit Terms

Effective Date: The Permit will become effective on the date of its approval by the City Council and execution by the Executive Director.

Term: Maximum term of 20 years, consisting of an initial five-year term, with three, five-year option periods, which will be at the sole discretion of the Harbor Department's Executive Director, based on future Harbor Department development needs at Fish Harbor.

Premises: The premises consist of land (45,775 s.f.) identified as Parcel Nos. 1, 3 and 4, and nonexclusive wharf (64 s.f.) identified as Parcel No. 2 (Transmittal 2).

Compensation: Augello shall pay an initial Annual Base Rent of \$101,856.48, which will be paid in twelve equal installments of \$8,488.04. For each of the next five years, the initial base rent will be subject to an annual eight percent increase plus annual CPI escalation. There is no cap on the annual CPI escalation, and it continues through the term of the Permit.

Permitted Use: The operation and maintenance of an existing tenant facility for the offloading and processing of wet fish from commercial fishing boats, and associated operations.

Maintenance: Augello shall be responsible for all operation and maintenance costs of the premises, and all improvements thereon, with the exception of the non-exclusive wharf area.

SUBJECT: TERM PERMIT WITH AUGELLO ENTERPRISES, LLC

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Permit with Augello for continued operation of a wet fish processing operation in Fish Harbor. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed five-year permit (with three five-year renewals for a total of 20 years) with Augello will commit Harbor Department land (45,775 s.f.) and wharf (64 s.f.) space for wet fish processing activities at Fish Harbor. The Harbor Department will receive \$101,856.48 in annual compensation from Augello with annual CPI escalations built into the permit term (with a floor of zero and no cap on CPI). In addition, during the initial five years of the permit the annual rent will also be escalated by eight percent each year. The financial terms of the proposed 20-year permit is estimated to yield a 12.1 percent rate of return and exceeds the Harbor Department's rate of return policy on land and improvements of 10 and 12 percent, respectively.

CITY ATTORNEY:




Permit No. 925 has been reviewed and approved as to form and legality by the Office of the City Attorney.


TRANSMITTALS:

- 1. Term Permit
- 2. Site Map



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

FIS Approval:  (Initials)
 CA Approval:  (Initials)

 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:
 FOR
 EUGENE D. SEROKA
 Executive Director