



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: FEBRUARY 17, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE ASSIGNMENT OF PERMIT NO. 930 FROM THE JANKOVICH COMPANY TO TJC CA, LLC; NORTHSTAR ENERGY, LLC'S GUARANTY; AND REVOCABLE PERMIT NO. 12-11 TERMINATION AGREEMENT

SUMMARY:

Staff requests approval of (i) an assignment of Permit No. 930 with The Jankovich Company (Jankovich) to TJC CA, LLC (TJC), (ii) guaranty furnished by NorthStar Energy, LLC (NorthStar), and (iii) a termination agreement with Jankovich for Revocable Permit No. 12-11 (RP 12-11). TJC is a Washington Limited Liability Company wholly owned by NorthStar, which is 100 percent owned by Saltchuk, a privately-owned family of diversified transportation and distribution companies headquartered in Seattle, WA.

Permit No. 930 was granted to Jankovich for a term of 20 years effective November 6, 2017; RP 12-11 became effective July 9, 2013. These permits entitle Jankovich the right to use City of Los Angeles Harbor Department (Harbor Department) land, subsurface, and water areas at Berths 73A & B and Berth 74 in San Pedro for operating and maintaining a retail marine fueling service station that sells fuel and lubricants, including the operation of a small commercial watercraft mooring facility and purposes incidental thereto; the use of an office building and storage; truck access and storage; and docking of barges and for purposes incidental thereto.

Jankovich relocated from Berth 74 under RP 12-11 to Berth 73A & B, as requested by the Harbor Department to accommodate the redevelopment of Ports O' Call. The remediation of Berth 74 is substantially completed. The RP 12-11 premises will require continued ground water monitoring and potential further remediation depending on the results of monitoring. Through the termination agreement Jankovich has agreed to perform ground water monitoring and provide the Harbor Department a \$350,000 security deposit to secure future monitoring and remediation.

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RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed actions are administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Assignment and Assumption of Permit No. 930 and Consent Thereto from The Jankovich Company to TJC CA, LLC;
3. Approve the Order consenting to assignment of Permit No. 930 from The Jankovich Company to TJC CA, LLC;
4. Approve the parent guaranty provided by NorthStar Energy, LLC for Permit No. 930;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Assignment and Assumption and Consent Thereto of Permit No. 930;
6. Authorize the Executive Director to execute and the Board Secretary to attest to the Order consenting to assignment of Permit No. 930;
7. Authorize the Executive Director to execute and the Board Secretary to attest to the parent guaranty provided by NorthStar Energy, LLC; and
8. Authorize the Executive Director to execute and the Board Secretary to attest to the Order consenting to the Termination Agreement for Revocable Permit No. 12-11; and
9. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – Permit No. 930 with Jankovich was approved by the Board on August 17, 2017, and became effective on November 6, 2017 for a 20-year term, with two consecutive options to extend the term for a five-year period for each option. RP 12-11 was executed on July 9, 2013.

Jankovich currently has the right to occupy and use Harbor Department property located at Berth 73A & B, as well as the Canetti's building, to operate a marine fueling station under Permit No. 930 (Transmittal 1). Soil remediation under RP 12-11 has been substantially completed. Jankovich operates as the only marine fueling station in the Port of Los Angeles, providing all types of marine fuels and lubricants to commercial, recreational, and fishing vessels, as well as bunker fueling services to larger vessels.

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Upon completion of the remediation process under RP 12-11, there will remain small amounts of soil contamination along the seawall, which cannot be removed without compromising the integrity of the seawall. There is also residual soil contamination along the roadway that could not be accessed. Jankovich is currently working on a remediation plan to address the limited amounts of remaining contamination. Some groundwater contamination will also remain, but is expected to attenuate in time since the source soil contamination has been removed. Jankovich will initially be required to monitor groundwater for two years and if after the first year groundwater contamination levels have not been substantially reduced, Jankovich will be required to take additional action to expedite remediation of the groundwater. Until such time as groundwater contamination has been reduced to acceptable levels for future unrestricted use, Jankovich will assume responsibility for the remaining contamination through the termination agreement for RP12-11 which will require a \$350,000 security deposit that will not be refunded until the RP 12-11 premises is returned to the Harbor Department in a condition that will allow for unrestricted use.

On September 14, 2020, Jankovich initially notified staff of its intention to sell its assets by entering into a non-binding Letter of Intent. The notice was subsequently updated on October 16, 2020. The proposed assignment to TJC includes a guaranty from NorthStar for full performance of Permit No. 930.

Permit Summary

Term: Permit No. 930 is effective for a term of 20 years, with two consecutive options to extend the term for five years for each option.

Maintenance and Repair: Pursuant to Section 108 of Permit No. 930, the Tenant is responsible for maintenance of the improvements on its premises at its sole cost and expense, and all buildings, works and improvements, including without limitation the paving, in good and substantial repair and condition, except as identified on Exhibit J of the permit. Exhibit J was amended by the Second Amendment to Permit No. 930 to shift the responsibility of Canetti's roof maintenance to Jankovich.

Proposed Transfer

Assignment Fee: Permit 930 includes an assignment fee that is generally calculated based on the length of term and expected future rental value remaining at the time of the assignment notice. The longer the remaining term and higher future rental value equates to a larger assignment fee for the Harbor Department. Pursuant to Section 7 of Permit No. 930, an assignment fee of \$269,660 is required, which is based on ten percent of the present value of estimated monthly rent payments over the remaining term of the permit.

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Transfer Notice Provisions: Under the terms of Section 113.3.1 of Permit No. 930, Jankovich has provided the Harbor Department a Transfer Notice establishing the intent to make a transfer of the Permit (Transmittal 2). The Transfer Notice includes prescribed information to allow the Harbor Department to review the nature of the transfer and quality of the proposed transferee. Prescribed information requirements in the Transfer Notice include a) the identity of the transferee, b) detailed description of the business structure of the transferee, history, nature of business, character, reputation and experience in the proposed operation, c) specific and detailed description of the type of transfer proposed and the rights proposed to be transferred, d) description of proposed operation on the existing premises, e) terms of the proposed transfer, f) proposed form of guaranty if any, g) proposed business plan for transferee, h) general description of any planned alterations or improvements to the premises, i) a general description of the transferee's worth including audited financial statements, j) and other relevant information, and k) written authorization allowing City to inspect and review any books and records or other information of Tenant or Transferee.

Requested Transfer: On August 18, 2020, Jankovich and NorthStar signed a Letter of Intent to Purchase Stock or Assets of The Jankovich Company. Jankovich is proposing a sale of its improvement on Berth 73A & B and associated pipelines, as well as an assignment of Permit No. 930 to TJC. All rights and obligations within the permits will be transferred to TJC. The effective date of the proposed transfer is to be determined after execution of the Assignment by the Executive Director of the Harbor Department.

Description of Transferee Business and Background: TJC is a wholly-owned subsidiary of NorthStar, which is 100 percent owned by Saltchuk, whose energy distribution line of business include AMNAV (currently operating at the Port of Los Angeles). NorthStar provides critical fuel and lubricants to residents, fishery, mining and construction customers in Alaska and Hawaii. NorthStar distributes lubricant in Alaska, provides oilfield services at the North Slope of Alaska and is the leading independent fuel marketer on Maui and the Big Island of Hawaii.

Description of Transferee Business Structure: NorthStar Energy is an energy holding company in the Saltchuk family of businesses, whose businesses includes Hawaii Petroleum, Delta Western, Inlet Energy, Northern Oilfield Solutions, and Alaska Petroleum Distribution.

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Saltchuk is a privately-owned family of air cargo, marine services, energy distribution, and shipping and logistics companies headquartered in Seattle (founded in 1982). Operating throughout North America, the Caribbean, and Central America, Saltchuk has approximately 6,000 employees, with consolidated 2017 annual revenue of nearly \$2.8 billion. A subsidiary of Saltchuk operating at the Port of Los Angeles is AMNAV Maritime Services, a leading provider of marine and harbor services since 1976. Other subsidiaries of Saltchuk include Northern Aviation Services, NorthStar Petroleum, Tote Services, Tropical Shipping and others located throughout U.S., Alaska, Hawaii, Bahamas and Caribbean.

Description of Proposed Operation and Alterations: TJC plans to utilize the facilities with the existing employee base consistent with Jankovich's historical use. This includes the storage and transfer of petroleum products. No changes to Jankovich's management, operations or facilities are currently envisioned. The Jankovich family will remain involved in the business post-transaction and anticipates operating on an autonomous basis under TJC's ownership. NorthStar will guarantee TJC's performance under Permit No. 930. NorthStar's audited financial statements have been reviewed by the Harbor Department's Financial Management staff.

Terms of the Proposed Transfer: On September 14, 2020, Jankovich notified Harbor Department staff that it had entered into an exclusive Letter of Intent to sell 100 percent of the company's shares or assets to NorthStar (now TJC), which is 100 percent owned by Saltchuk.

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The sale price for total assets has not been disclosed. Staff does not anticipate any issues with the non-disclosure. The transfer of Jankovich's assets or shares is expected to close after the Board's approval of the assignment, subject to satisfaction of customary closing conditions, receipt of regulatory approvals, and required consents and absence of a material adversely affecting the transaction.

NorthStar's representatives previously provided financial and background information to Harbor Department staff. The audited financial statements have also been reviewed by Harbor Department's Financial Management staff, along with other financial information provided, as well as more recent public information. Staff finds NorthStar to have the adequate financial backing to meet the obligations of the Permit No. 930 (Transmittal 3).

Guaranty: NorthStar has furnished a written guaranty (Transmittal 4) in which NorthStar absolutely, irrevocably, and unconditionally guarantee, and become surety for, the full and timely payment and performance of the debts, obligations, and liability of TJC under Permit No. 930.

Transfer Notice Findings: Based on the information provided in the Transfer Notice, financial records and other information previously reviewed during the due diligence process that has been ongoing since the Harbor Department was notified of the proposed permit assignment in September 2020, NorthStar and its affiliates have demonstrated the requisite experience, financial backing, and ability to continue to operate the Jankovich marine facility in the Port of Los Angeles. Based on Assignment and Assumption of Permit No. 930 and Consent Thereto (Transmittal 5) and all of the information provided and reviewed, staff recommends the Board consent to the proposed Order (Transmittal 6) transferring Permit No. 930 from Jankovich to TJC conditioned on receiving a guaranty from NorthStar.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of (i) an assignment of Permit No. 930 with The Jankovich Company (Jankovich) to TJC CA, LLC (TJC), (ii) guaranty furnished by NorthStar Energy, LLC (NorthStar) and (iii) a termination agreement (Transmittal 7) with Jankovich for Revocable Permit No. 12-11, which are an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Assignment of the Harbor Department's Permit No. 930 with Jankovich to NorthStar will result in the continuance of all operations allowed under the permits. In addition to a one-time assignment fee of \$269,660, the Harbor Department will continue to receive land rent and tariff-related compensation under the assigned permits. The permit assignee will be solely responsible for all regulatory requirements and maintenance-related responsibilities, except as stated in Exhibit J as provided within the Second Amendment. The termination agreement with Jankovich for RP 12-11 will provide security guarantying complete remediation of the Berth 74 premises.

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CITY ATTORNEY:

The Guaranty, Assignment and Assumption and Consent Thereto, Assignment Order, and Termination Agreement have been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Transfer Notices
3. Financial Management Review
4. Guaranty – NorthStar
5. Assignment and Assumption and Consent Thereto
6. Assignment Order
7. Termination Agreement

FIS Approval: *MB*
CA Approval: *JS*

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