



Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: DECEMBER 27, 2017**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE SUCCESSOR PERMIT NO. 919 WITH H.S. SEAFOODS, INC.**

**SUMMARY:**

Staff requests approval of successor Permit No. 919 (P-919) with H.S. Seafoods, Inc., a California corporation (H.S. Seafoods), for use and occupancy of Stall 4 at the San Pedro Municipal Fish Market (Municipal Fish Market). P-919 is a successor term permit to Revocable Permit No. 12-19.

P-919 is the last of a series of successor permits issued to Municipal Fish Market tenants for the installation of individual refrigeration units and systems that replaced the 65-year old centralized refrigeration system and other necessary equipment. The centralized system was turned off and disassembled by the City of Los Angeles Harbor Department (Harbor Department) in April 2017. Each tenant is now responsible for securing their own individual refrigeration system.

P-919 is structured to allow H.S. Seafoods to finance installation of an individual refrigeration system in Stall 4 by providing a rent credit for the first five years in the amount of \$600 monthly. H.S. Seafoods will also receive a rent credit of \$2,500 monthly for two years for equipment purchase and moving expenses. Annual rent is \$37,680, paid monthly at \$3,140 and subject to annual Consumer Price Index (CPI) increases. The annual rent credit amounts to \$37,200 the first two years for moving expenses and \$7,200 per year for the remaining three years. The term of P-919 will be eight years with two, one-year options to extend the agreement.

**RECOMMENDATION:**

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

1. Find that the proposed action is categorically exempt from the requirements of the California Environment 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. 919 with H.S. Seafoods, Inc;
3. Direct the Board Secretary to transmit Permit No. 919 to City Council for approval pursuant to Charter Section 606 of the City Charter;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 919 upon approval by City Council; and

5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background - The Municipal Fish Market is a two-story, 12-stall industrial building located at Berth 72, with a truck loading dock and an adjacent common public parking area. On the north side of the building, a 553-square foot shed housing the refrigeration equipment was also built at the same time in 1951 by the Harbor Department. Permits at the Municipal Fish Market allow tenants to unload wet fish from commercial fishing boats, process and transport wet-fish products, and conduct sales of fish on a wholesale basis. H.S. Seafoods is one of four tenants at the facility and occupies one of the 12 Municipal Fish Market stalls.

Staff and tenants collaborated to develop a plan to transition to new refrigeration systems in each independent stall. The proposed successor permit (Transmittal 1) includes a requirement to complete installation of an individual refrigeration system in exchange for a long-term permit which includes rent credits for refrigeration and other improvements. Three tenants have entered into similar agreements as prescribed in the plan, but individual business financing requirements resulted in successor permits being processed at different times. H.S. Seafoods is the last tenant to enter into a new successor permit with one remaining tenant deciding to not make a refrigeration investment and remain on a month-to-month agreement.

Summary of Significant Permit Terms:

**Term:** The term shall be eight-years, with two one-year extension options from the effective date, which shall be the first day of the month following execution of P-919 by Executive Director, after approval of the Board and City Council.

**Premises:** The premises consist of the exclusive use of 4,800 square feet and nonexclusive use of 36,540 square feet of Harbor Department property (Transmittal 2).

**Use:** The premises shall be used for the unloading of wet-fish products from commercial fishing vessels; the processing and loading of wet-fish products; wholesale fish and seafood sales; and storage of materials related to the commercial fishing industry.

**Environmental:** The agreement includes environmental compliance requirements for implementation and reporting on best management practices to reduce water runoff and provide strict controls regarding discharge of water into the main channel, as well as other environmental concerns emanating from the permitted uses.

**Compensation:** Annual rent is \$37,680, paid monthly in the amount of \$3,140. Rent shall be increased annually by CPI.

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Rent Credit: A monthly rental credit of \$600 is provided for 60 months amounting to \$36,000 in total, for the purchase and installation of the individual refrigeration system. In the event the Harbor Department terminates P-919 within the first five years, H.S. Seafoods will be entitled to a pro-rated reimbursement for the cost of its individual refrigeration system, not to exceed \$120,000. The refrigeration system's estimated cost is \$90,000. Once installed by the tenant, the refrigeration system will become part of the building and ownership will vest with the Harbor Department. In order to qualify for the monthly rental credit or the reimbursement, the tenant must provide proof of the cost of its refrigeration system, including installation. Tenant, at its sole cost and expense, shall maintain and repair the individual refrigeration system for the duration of this agreement. Successor permits previously approved by the Board of Harbor Commissioners included the same rental credit amount.

The Risk Management Plan within the Port Master Plan requires that H.S. Seafoods move to another stall because its current location at Stall 12 is within the hazard footprint of an existing fuel tank located to the south of the Municipal Fish Market building and operated by The Jankovich Company.

The Tenant's move to another stall requires purchasing new equipment and moving of existing equipment. The cost for the replacement and installation of a fish pump, as well as the removal and transfer of large equipment to Stall 4 such as concrete sinks, crab tanks, overhead hoist, ice machine, and condenser is estimated to be \$172,140. The tenant will receive a rent credit of \$2,500 per month for two years (\$60,000) associated with those expenses. The rent credit will commence upon the first day of the first month after fully vacating and removing all personal property from the Tenant's former premises at Stall 12.

Disregarding the annual CPI escalations, the Harbor Department will receive the following rent, as follows:

	Yearly Rent					Totals
	2018	2019	2020	2021	2022	
Rent	\$ 37,680	\$ 37,680	\$ 37,680	\$ 37,680	\$ 37,680	\$ 188,400
Less Rent Credit						
Moving Expenses	\$ 30,000	\$ 30,000				\$ 60,000
Refrigeration System	\$ 7,200	\$ 7,200	\$ 7,200	\$ 7,200	\$ 7,200	\$ 36,000
Net Rent	\$ 480	\$ 480	\$ 30,480	\$ 30,480	\$ 30,480	\$ 92,400

Use of the subject property as a commercial fish processing business is consistent with the Port Master Plan and State Tidelands Trust, which emphasizes that preference be given to the commercial fishing industry facilities within the Main Channel area where the improvement is located. H.S. Seafoods is considered a tenant in good standing.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Successor Permit with H.S. Seafoods, Inc., which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. As such, 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.

**FINANCIAL IMPACT:**

Under P-919, monthly compensation is \$3,140, which is an increase from the current RP No. 12-19. H.S. Seafoods currently occupies one-half of Stall 12 at a monthly compensation amount of \$2,089.20. Compensation shall be annually increased by CPI adjustment, with a floor of 0 percent.

Assuming both rent credits are activated upon the first month, and disregarding CPI escalations of unknown future amounts, P-919 will generate annual net rent of \$480 the first two years and \$30,480 for years three through five. The moving expense credit will expire after two years and the refrigeration credit will expire after year five. The first five years of P-919 will generate a total rent of \$92,400 after all credits are utilized.

Tenant, at its sole cost and expense, shall maintain and repair the individual refrigeration system for the duration of this agreement.

**CITY ATTORNEY:**


P-919 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

- 1. Permit No. 919
- 2. Site Map

*for*   
 MICHAEL J. GALVIN  
 Director of Waterfront & Commercial Real Estate

FIS Approval:  (Initials)  
 CA Approval:  (Initials)  
  
 MICHAEL DiBERNARDO  
 Deputy Executive Director

APPROVED:  
 FOR  
 EUGENE D. SEROKA  
 Executive Director