



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

Board of Harbor Commissioners

DATE: JANUARY 14, 2016

FROM: CARGO AND INDUSTRIAL REAL ESTATE

SUBJECT: ORDER NO. _____ - PROPOSED ACKNOWLEDGEMENT OF THE CONVERSION OF BUSINESS ENTITY FROM YUSEN TERMINALS, INC. TO YUSEN TERMINALS LIMITED LIABILITY COMPANY

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) staff requests the Board of Harbor Commissioners (Board) provide its consent to this conversion from a corporation to a limited liability company under Permit No. 692. On September 25, 2015, Yusen Terminals Inc. (YTI) changed its form of business entity by converting from a corporation to a limited liability company in accordance with California law. As a result of this conversion, YTI ceased to exist and Yusen Terminals Limited Liability Company (YTI LLC) succeeds to all rights and obligations of YTI under Permit No. 692.

Permit No. 692 was issued for a 25-year permit (October 1, 1991 through September 30, 2016), and has one ten-year extension option that was renewed to extend the expiration date to September 30, 2026. Permit No. 692 grants YTI the right to occupy 224.83 acres at Berths 212-224 for container terminal operations. YTI is the assignee of Nippon Yusen Kaisha (NYK) and the current tenant of the premises.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Order to consent and acknowledge the assignment of Permit No. 692;
3. Direct the Board Secretary to transmit the Order consenting to and acknowledging the business conversion of Yusen Terminals Inc. to Yusen Terminals LLC as tenant of Permit No. 692 to the City Council for approval pursuant to Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Acknowledgement of Conversion of Tenant under Permit No. 692 and the Order to consent to and acknowledge Yusen Terminals LLC as Tenant of Permit 692 upon approval by City Council; and
5. Adopt Order No. _____.

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DISCUSSION:

Company Background – Founded on October 1, 1885, NYK is one of the largest container shipping companies in the world (Transmittal 1). It is mainly engaged in international marine transportation, shipping agency services, and the distribution of containers. Headquartered in Japan, it controls a myriad of subsidiaries related to shipping. NYK is a publicly traded company listed on the Tokyo Stock Exchange.

NYK initiated its presence at the Port of Los Angeles (Port) with Permit No. 692 with the Harbor Department in October 1991. Permit No. 692 was later amended and assigned to YTI under the Second Amendment with NYK, guaranteeing all monetary and non-monetary obligations. Today, YTI/NYK is one of the largest customers in the Port, generating annual revenues that are higher than the minimum annual guarantee.

Rights Under Permit – Section 10 of Permit No. 692, as amended by the Second Amendment, provides that, “Tenant may not assign, sublease, transfer, grant, hypothecate, give away, or encumber the premises or this Agreement and any such attempted transfer is void.”

YTI changed its form of business entity on September 25, 2015, by converting from a corporation to a limited liability company in accordance with California law. Therefore, YTI has requested consent to the assignment by operation of law of its right, title, and interest under Permit No. 692 to YTI LLC which is its newly reorganized corporate entity. YTI LLC continues to be bound by all of the terms and conditions of Permit No. 692 and has assumed all of the obligations of YTI as tenant.

In connection with the requested acknowledgement of the conversion, NYK has reaffirmed its written guaranty in favor of the Harbor Department, which, among other things, irrevocably and unconditionally guarantees full and timely payment and performance of the debts, obligations, covenants, conditions, and liability (monetary and non-monetary) of YTI LLC as tenant under Permit No. 692 (including any extension of Permit No. 692 pursuant to the Option to Extend Term provided in Section 3(c) and also during any period of holdover), and further, has affirmed its primary obligation under Permit No. 692.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the conversion of the YTI business entity to YTI LLC, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

In the immediate term, the Harbor Department expects no direct fiscal impact upon approval and execution of the Acknowledgement of Conversion and the Assignment and Assumption of Permit No. 692.

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CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the Acknowledgment of Conversion of Tenant under Permit No. 692 (Transmittal 2) and the Order to consent and acknowledge the business conversion under Permit No. 692 as to form and legality.

TRANSMITTALS:

1. Site Map
2. Acknowledgement of Conversion
3. Order



JACK C. HEDGE
Director of Real Estate

FIS Approval: MB (initials)
CA Approval: JM (initials)



FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

EDS:MD:JH:ST:raw
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BL560raw Yusen Name Change