



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 8, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 21-20 WITH AMERICAN MARINE CORPORATION

SUMMARY:

Pursuant to the City of Los Angeles Harbor Department (Harbor Department) policy for five-year review by the Board of Harbor Commissioners for the continuation or modification of revocable permits, staff requests approval of Revocable Permit No. 21-20 with American Marine Corporation (American Marine) for a month-to-month term subject to review every five years to occupy 50,411 square feet of paved land, 61,725 square feet of water, and 15,913 square feet of paved fire lane used for the operation of tugboats, dive services and barge services, and the operation of a portable crane for the purpose of transport of marine equipment and supplies at 1500 South Barracuda Street, Terminal Island, CA. Revocable Permit No. 21-20 will yield \$155,214.89 in revenue to the City of Los Angeles Harbor Department (Harbor Department) in the first year, with annual step increases and Consumer Price Index (CPI) adjustments on the anniversary of the effective date of no less than three percent thereafter.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) and Class 1(18(b)) of the Los Angeles City CEQA Guidelines;
2. Approve Revocable Permit No. 21-20 with American Marine Corporation;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 21-20 upon approval by the Board; and
4. Adopt Resolution No. _____.

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DISCUSSION:

Background – Since 1996, under the terms of the existing Revocable Permit 96-13, American Marine has provided dive, tugboat and barge services throughout the Port of Los Angeles. Under this action, Revocable Permit No. 21-20 would serve as the successor to Revocable Permit 96-13.

Background on Proposed Rent: The subject premises (Transmittal 1) are entitled under a Revocable Permit that took effect in 1996 and does not have a built-in annual rate escalator. As such, the rental rates due under the 1996 revocable permit are lower than current market rates for comparable locations. The proposed Revocable Permit No. 21-20 addresses the need for a rate increase to better reflect the market, but does so in a step-up fashion, with graduated rent increases over the term to allow American Marine time to make budget adjustments. Further, Parcel 4 is a fire lane with use limitations, and was adjusted accordingly to take into account the limited utility. Rent in year one for the proposed Revocable Permit No. 21-20 will be \$155,214.89, which represents a 2.12 percent increase compared to Revocable Permit 96-13.

Material terms of the Revocable Permit (Transmittal 2) are as follows:

<u>Provisions</u>	<u>Description</u>
Real Estate Entitlement	Revocable Permit
Permitted Use	Tugboat, dive and barge services
Term	Month to Month
Effective Date	Upon execution of the Executive Director
Termination Rights	Either party may terminate with 30 days' prior written notice.
Premises	Parcel 1: 49,105 SF (Paved Land) Parcel 2: 61,725 SF (Water) Parcel 3: 1,306 SF (Paved Land) Parcel 4: 15,913 SF (Paved Fire Lane) Total: 128,049 SF

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Initial Monthly Rent	\$ 12,934.57
Step Increases (Years 1-3) & CPI Adjustment (Years 4&5 w/ min. three percent)	Annual Rent: Yr. 1 \$155,214.89 Yr. 2 \$179,932.96 (+15.93%) increase Yr. 3 \$198,935.10 (+10.56%) increase Yr. 4 \$204,912.70 (+3.00%) increase Yr. 5 \$211,085.36 (+ 3.0%) increase
Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense.
Insurance	Includes all standard insurance provisions and requirements.
Security Deposit	\$25,869.14 (2 months' rent) in the form of a letter of credit or cash.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of RP 21-20 with American Marine on a month-to-month to term for continued occupancy of approximately 128,049 sf of land- and water-use area located at 1500 South Barracuda Street. Under the RP, American Marine would operate tugboats, dive services, barge services, and a portable crane for purpose of transport of marine equipment and supplies, which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, and issuance of a permit granting use of municipal wharves involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted. 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) and Class 1(18(d)) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed Revocable Permit No. 21-20 will enable American Marine to occupy 128,049 square feet of paved land and water over no more than a five-year term and will generate annual rent of \$155,214.89 in the first year, with fixed rate increases years 1-3 and no less than three percent annual CPI increases years 4 & 5. Compensation for occupation of Parcel Nos. 1, 2, 3 & 4, until the end of the term will be no less than \$950,081.00 in revenue.

CITY ATTORNEY:

The proposed Revocable Permit No. 21-20 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Revocable Permit No. 21-20

FIS Approval: MB
CA Approval: SO

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APPROVED:

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