



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 15, 2023

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. ____ - APPROVE THE SECOND AMENDMENT TO PERMIT NO. 882 BETWEEN MILLENNIUM MARITIME, INC. AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT

SUMMARY:

Staff requests approval of the Second Amendment to Permit No. 882 (Permit), which effects the following changes: 1) changes the name of the permittee from Millennium Maritime, Inc. (Millennium) to Westoil Tug Services, Inc. (Westoil); 2) increases the insurance limits set forth in the Permit; and 3) provides a guaranty by Centerline Logistics Corporation, Westoil's parent company.

There is a companion item also agendized for the March 30, 2023 Board of Harbor Commissioners meeting, which is related to this action. That item concerns the approval and consent to a transfer, the exercise of an option to extend, and a compensation adjustment for Permit No. 882.

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 Second Amendment to Permit No. 882;
3. Direct the Board Secretary to transmit the Second Amendment to Permit No. 882 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 Second Amendment to Permit No. 882; and
5. Adopt Resolution Number _____.

DISCUSSION:

Background: Under the Permit, Millennium/Westoil conducts tug and barge operations at Berth 301 on Terminal Island. The company provides critical refueling (bunkering) services in the San Pedro Bay, with the Permit premises serving as a local homebase for the staging of tugs and barges with modular office space. The premises are comprised of 111,416 square feet of wharf space and 43,786 square feet of water space. See Transmittal No. 1.

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As noted in the companion staff report, a June 2019 transaction resulted in a change of control and ownership of Millennium/Westoil. In connection with this change in control, the tenant is requesting to change the name of the permittee from Millennium Maritime, Inc. to Westoil Tug Services, Inc.

Proposed Amendment:

Name Change and Change in Guarantor - The proposed Second Amendment to Permit No. 882 (Transmittal 2) would change the name of the permittee. Because the parent company of Millennium/Westoil also changed its name from Harley Marine Services, Inc. to Centerline Logistics Corporation, the proposed Second Amendment also includes a guaranty furnished by Centerline Logistics Corporation to replace the guaranty previously provided under the name of Harley Marine Services, Inc.

Analysis of New Guarantor

Harbor Department staff reviewed the calendar year 2018 audited financials of Harley Marine Services, Inc. (last year prior to the June 2019 transaction), as well as the calendar year 2020 audited financials of Centerline Logistics Corporation (first full year post-transaction). Staff noted that Centerline Logistics Corporation held more cash on hand, generated more operating income in 2020 relative to Harley Marine Services, Inc. in 2018, and appears to possess reasonable financial wherewithal to meet its obligations as a potential guarantor.

Staff also reviewed the unaudited calendar year 2022 financials of Centerline Logistics Corporation and, the entity continues to appear to possess reasonable financial wherewithal to meet its obligations as a potential guarantor.

Insurance Levels - In addition, the Second Amendment increases the required insurance limits set forth in the Permit to account for the tenant's fuel-bunkering activities at the premises.

Provided below are details of the proposed changes to be made under the amendment.

	Changed From:	Changed To:
Permittee	Millennium Maritime, Inc.	Westoil Tug Services, Inc.
	Changed From:	Changed To:
Guarantor	Harley Marine Services, Inc.	Centerline Logistics Corp
	Changed From:	Changed To:
Insurance Levels		
Environmental Impairment Liability	\$1,000,000 Per Occurrence	\$25,000,000 Per Occurrence
General Liability and Ocean Marine Liability	\$1,000,000 Per Occurrence	\$5,000,000 Per Occurrence

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Fire Legal Liability	\$100,000 Per occurrence	\$250,000 Per Occurrence
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ENVIRONMENTAL ASSESSMENT:

The proposed actions include: 1) changes to the name of the permittee; 2) changes to the insurance limits set forth in the Permit; and 3) changes to the guaranty. As such, the Director of Environmental Management has determined that the proposed actions are administratively exempt from the requirements CEQA under Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed action to change the name of the Permittee to Westoil Tug Services, Inc. is not anticipated to have a financial impact on the Harbor Department. The proposed action to increase the insurance limits as well as the proposed action to approve a guaranty with Centerline Logistics, Inc. each serve to strengthen the financial protections provided to the Harbor Department under Permit No. 882 if an adverse event were to occur.

CITY ATTORNEY:

The proposed Second Amendment has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Second Amendment to Permit No. 892

FIS Approval: MB
CA Approval: SO

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