



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 9, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE
TWELFTH AMENDMENT TO PERMIT NO. 692 WITH YUSEN
TERMINALS, LLC**

SUMMARY:

Staff requests approval of the Twelfth Amendment to Permit No. 692 (Permit) with Yusen Terminals, LLC (YTI). Currently, the Permit premises consist of 224.83 acres at Berths 212-224. In addition, YTI occupies 11.08 acres of land at Berths 206-209 under a Space Assignment (i.e. use agreement governed by Tariff No. 4).

The Twelfth Amendment would: (i) delete 4.04 acres (known as Site 6A) from YTI's existing premises; and (ii) add the 11.08 acres currently on Space Assignment area into the premises. For the purposes of determining compensation, the amended premises will be effective May 1, 2020.

The net addition of 7.04 acres to the premises will result in an additional \$112,663 in revenues received over the first year of the proposed Amendment. Additionally, the 11.08 acres will be incorporated into the Permit and will be subject to a five-year compensation reset, effective October 1, 2021.

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) of the Los Angeles City CEQA Guidelines;

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2. Approve the Twelfth Amendment to Permit No. 692 with Yusen Terminals, LLC with the finding that such Amendment is in the best interest of the City of Los Angeles;
3. Direct the Board Secretary to transmit the Twelfth Amendment to Permit No. 692 to City Council for approval pursuant to Charter Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Twelfth Amendment upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – Permit No. 692 grants YTI the use of 224.83 acres at Berths 212-224 for container terminal operations for a term of 25 years and one ten-year option to extend, which was exercised in May 2015. The Permit expires on September 30, 2026.

Under the Permit, YTI's premises are comprised of the following areas and subject to the following fees:

- 181.36 acres are subject to a Minimum Annual Guarantee (MAG) of \$169,110 per acre and TEU efficiency charges.
- 4.04 acres located at Site 6A (See Transmittal No. 1) and 5.68 acres at the Radiation Portal Monitor site on New Dock Street are subject to land rates in Tariff No. 4.
- 33.75 acres are dedicated to the non-preferential areas of the Terminal Island Container Transfer Facility, and are not subject to charge.

In addition to the premises covered under the Permit, YTI occupies 11.08 acres of land at Berths 206-209 (known as YTI East) under a Space Assignment.

The purpose of the proposed Twelfth Amendment is to: (i) delete 4.04 acres at Site 6A from YTI's existing premises; and (ii) add the 11.08 acres currently on Space Assignment area into the premises. More information on the proposed changes to the premises is provided below.

- Proposed Deletion of Site 6A – YTI is unable to fully integrate Site 6A into its marine terminal operations due to the adjacent rail yard and associated crossings, which significantly limit access to and from the site.

As such, YTI requested to delete Site 6A effective May 1, 2020, which is the date YTI vacated the site.

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- Proposed Addition of Space Assignment Area – With respect to the 11.08 acres on Space Assignment, YTI is seeking to continue its operations at Berths 206-209 for a longer term in this area by incorporating the area into the Permit premises. The permitted uses would be limited to repairing and storing of container chassis and container handling equipment.

The current rental rate for this area is \$0.17 per square foot per month (PSFPM) for paved land in accordance with the rates in the Tariff. The Tariff rates date back to 2005 and are lower than current market rates for paved land. The proposed Amendment addresses the need for a rate increase to better reflect market values, but does so in a step-up fashion, with graduated rent increases over the coming months to allow YTI time to budget accordingly. Effective October 1, 2021, rent will be subject to readjustment as part of the next five-year compensation reset.

The table below shows the proposed progression of rate increases (in rate PSFPM):

<u>Current</u>	<u>Proposed</u>			
<i>April 2020</i>	<i>May 2020</i>	<i>Oct. 2020</i>	<i>Jan. 2021</i>	<i>Oct. 2021</i>
\$0.17	\$0.17	\$0.28	\$0.31	Compensation Reset

Material terms of the proposed Amendment (See Transmittal No. 2) are as follows:

<u>Key Terms</u>	<u>As Proposed</u>
Premises	<ul style="list-style-type: none"> • <u>Site 6A (Parcel No.3)</u>: Delete Site 6A (4.04 acres) from the existing premises. • <u>Space Assignment area (YTI East)</u>: Incorporate 482,507 square feet (11.08 acres) of uncovered, paved land at Berths 206-209, currently occupied by YTI under Space Assignment. <p>The amended premises will be effective May 1, 2020 for the purposes of determining compensation.</p>
Permitted Uses	<u>YTI East</u> : Permitted uses are limited to repair and storage of container chassis and container handling equipment, not limited to utility tractor rigs and tophandlers.

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Compensation	<p><u>YTI East</u>: Initial base rent will be \$82,026.19 per month, subject to an incremental increase through September 30, 2021 based on the rent schedule below.</p> <ul style="list-style-type: none"> • May 2020 to Sept. 2020: \$82,026.19 (\$0.17/sf) • Oct. 2020 to Dec. 2020: \$135,101.96 (\$0.28/sf) • Jan. 2021 to Sept. 2021: \$149,577.17 (\$0.31/sf) <p>Commencing October 1, 2021, rent will be readjusted pursuant to the five-year reset provision of the Permit.</p>
Termination Rights	<p><u>YTI East</u>: Either party may terminate YTI East in whole or in part with 30 days' written notice, without Amendment to the Permit.</p>
Prior Entitlement	<p><u>YTI East</u>: YTI has occupied this area under Space Assignment No. 19-39 since October 22, 2019 and its obligations under the agreement will be incorporated into the Permit by reference to account for continued occupancy.</p>

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Twelfth Amendment to Permit No. 692 with YTI which would delete 4.04 acres of YTI's existing premises and add 11.08 acres currently on Space Assignment area into the premises, which is an activity involving the amendment of a permit to use an existing facility involving negligible expansion of use. 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) of the Los Angeles CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Amendment will incorporate an additional 7.04 acres into the premises covered under the Permit. Currently, the 4.04 acres proposed for deletion generate \$316,768 per year in rent, while the 11.08 acres proposed for inclusion generate \$984,315 per year in Space Assignment revenues for a total of \$1,301,083 annually.

Under the proposed Amendment, while the \$316,768 per year in revenues generated by the 4.04 acres will be foregone, the rental rates associated with the 11.08 acres will be increased such that \$1,413,746 will be generated in the first year. This proposed rent generated by the 11.08 acres will exceed the amount currently generated by the aggregate 15.12 acres by \$112,663 in the first year. Thereafter, the 11.08 acres will generate \$747,886 in rent over the next five months through September 30, 2021. Effective October 1, 2021, rental rates invoiced on the 11.08 acres will be subject to review as part of the next scheduled compensation reset process.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Site Map
2. Twelfth Amendment

FIS Approval: MAB
CA Approval: JS

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