



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 2, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE SECOND AMENDMENT TO PERMIT NO. 907 WITH SSA PACIFIC, INC.

SUMMARY:

Staff requests approval of the Second Amendment to Permit No. 907 (P907) with SSA Pacific, Inc. (SSA). The second Amendment will provide a five-year extension with the right to terminate after the second year and increase the Minimum Annual Guarantee (MAG) by 18 percent, from \$348,409 to \$410,749 per year, with annual Consumer Price Index adjustments in subsequent years. SSA's average annual compensation paid in the last three years was \$547,666.

RECOMMENDATION:

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class or Section 1 (14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the proposed Second Amendment to Permit No. 907 with SSA Pacific, Inc.;
3. Direct the Board Secretary to transmit the Second Amendment to Permit No. 907 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. 907 upon approval by City Council; and
5. Adopt Resolution No. _____.

SUBJECT: SECOND AMENDMENT TO PERMIT NO. 907 WITH SSA PACIFIC, INC.

DISCUSSION:

Background – The requested action is approval of the Second Amendment (Transmittal 1) to P907 between the City of Los Angeles Harbor Department (Harbor Department) and SSA. P907 grants use of approximately 14.72 acres of property located at Berths 53-55 and adjacent wharf and backland (Fruit Terminal, Transmittal 2) for the docking of vessels for the assembling, distributing, loading and unloading of palletized fresh fruit cargo for the five-year period of November 1, 2012 to October 31, 2017, with an option to extend for another year. The First Amendment to P907, effective January 4, 2017, reduced its premises by 0.76 acres.

SSA has preferential use of the Fruit Terminal from December 1st through April 30th of each year, along with ten parking spaces year-round. The rent is the higher of a MAG, currently \$348,409, or the total Port of Los Angeles Tariff No. 4 charges. SSA's average annual compensation for the last three years is \$547,666.

Second Amendment Summary - P907 is in its fifth and final year and SSA has an option requiring a one-time payment of \$35,000 to extend for another year. In lieu of extending the term for another year, SSA requested to be granted a five-year extension, with the right to terminate after the second year.

Making a five-year commitment to allow for continued operations of the Fruit Terminal is helpful in maintaining volumes necessary for sustainable economics within this supply chain. Granting SSA the right to cancel after two years will provide SSA with the flexibility to align with the long-term uncertainty of the Chilean summer fruit business. The flexibility to cancel after two years is critical because it allows service providers such as SSA to continue investing in this business and protect them by limiting their losses in case there is an unexpected shift in transportation modes for the South American fruit producers.

Extending the permit for up to five years, but no less than two years, provides superior financial results over a longer period of time than the existing option terms.

The MAG is readjusted at the end of every five years, as required by P907. Since the original MAG of \$340,204 was set based on estimated minimum volumes expected from fruit growers for this seasonal business, staff recommends using the Economic Performance Methodology which sets the MAG by applying a 25 percent discount to the past three years' compensation paid based on percentage rent. Based on this methodology, the proposed MAG beginning on November 1, 2017 will be \$410,749. After a year, and every subsequent year thereafter, the MAG will increase annually based on the Consumer Price Index.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Second Amendment to Permit No. 907 with SSA to provide a five-year extension and increase the MAG for the first year of the extended term. As an activity involving the amendment of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The current language for exercising the option to extend requires a 10 percent fee of the estimated MAG for the option period, which shall not apply to, but is in addition to, future rent and is non-refundable. If the option for one additional year was exercised, the option fee would amount to \$35,000. An extension of the Permit for an additional five years, with two years guaranteed including an increase of the MAG by 18 percent from \$348,409 to \$410,749 per year, results in a superior financial result to the alternative of the existing one-year option extension terms.

CITY ATTORNEY:

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

TRANSMITTALS:


- 1. Second Amendment
- 2. Site Map

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


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director