

Factors Germane to City Consent Finance Division

113.4 Factors Germane to City Consent. In evaluating any Transfer Notice, it shall not be unreasonable for City to withhold or condition its consent to a Transfer based on the following factors, among others:

(a) The net worth, financial condition and creditworthiness of the Transferee and the existence of any guaranty provided by the Transferee's parent or related entity(ies) or parties;

Under Permit 882 with Millennium Maritime, Inc., now known as Westoil Tug Services, Inc., rent as of July 1, 2022 is \$58,227.91 per month, or \$698,734.92 per year. Effective July 1, 2023 and annually thereafter through the October 31, 2026 expiration of Permit 882, rent will increase by the change in the Consumer Price Index (CPI). Over the remaining term of Permit 882, from January 1, 2023 through October 31, 2026 and assuming 3% inflation, staff has estimated aggregate rent obligations of approximately \$2.8 million.

Based upon a September 17, 2021 notification from Centerline Logistics Corporation (the parent of Millennium Maritime, Inc.), staff was made aware that a corporate reorganization occurred in June 2019, whereby ownership of Centerline Logistics changed. Accordingly, the Finance division reviewed Centerline Logistics' financial information for the year ended December 31, 2020. Specifically, Total Revenues, Operating Income, Net Income, Total Assets and Total Equity were reviewed. Based upon staff's review of these key financial metrics, Centerline Logistics holds more cash on hand and generates more operating income as of December 31, 2020 (post-ownership change) relative to December 31, 2018 (pre-ownership change), and appears to possess reasonable financial wherewithal to meet its obligations as Transferee under Permit 882.

(b) The character, experience, and reputation of the Transferee (or its operator) in operating the business contemplated by the Transfer;

Centerline Logistics began in 1987 under the name Olympic Tug & Barge based in Seattle, Washington. Over the proceeding years, the company expanded up and down the West Coast of the United States to become a premier marine petroleum transportation operator with one of the largest and most diverse fleets serving the West, East and Gulf coasts of the United States. Prior to 2020, Centerline operated under the name Harley Marine Services and a variety of subsidiary names. One of these subsidiaries, Millennium Maritime has operated at the Port of Los Angeles under Permit 882 since February 2010. While Millennium Maritime currently operates under the name Westoil Tug Services, Inc., the operations entitled under Permit 882 did not and have not changed since the Centerline ownership change occurred in June 2019.

Based upon staff's research, Centerline Logistics and its subsidiary, Westoil Tug Services, Inc. appear to possess reasonable experience, knowledge and character to assume the operational responsibilities associated with Permit 882.

(c) Whether the Transfer will negatively impact the short-term or long-term development, land use or other plans of City's Harbor Department, and whether consent to such Transfer would violate any of the legal duties of City's Harbor Department, including duties owed to other tenants;

Continued use of the Permit No. 882 premises as a tugboat and marine oil bunkering barge operator is consistent with the Port Master Plan as an existing permitted use. There are currently no conflicting existing legal duties of the Harbor Department that relate to the continued use of the Permit premises as a tugboat and oil bunkering barge operator.

(d) Whether the proposed Transfer is consistent with the terms and conditions of this Agreement in existence when Tenant submitted the Transfer Notice and with the laws, rules, and regulations applicable to the Premises and Tenant's use thereof;

Millennium Maritime will continue to use the premises as a tugboat and marine oil bunkering barge operator consistent with the terms and conditions of Permit No. 882.

(e) Whether the information provided by Tenant in connection with Subsection 14.2 (Transfer Notice) justifies such consent;

Millennium Maritime's Transfer Notice provided the information required under Subsection 14.2. The information provided in the Transfer Notice justifies consent of the proposed assignment based on the proposed tenant's and guarantor's collective financial standing, experience, and proposed use of the premises that is consistent with the Port Master Plan and the terms of Permit No. 882. Millennium Maritime has committed to maintaining current operations.

(f) Whether a Transfer Premium exists and whether Tenant and/or Transferee agree to pay to City up to fifteen percent (15%) of such Transfer Premium. For purposes of this Section 14.3, "Transfer Premium" shall mean monetary or other economic consideration received by Tenant as a result of the Transfer over and above the amount of Tenant's rental and other payments due City pursuant to this Agreement (excluding any consideration attributed to assets other than this Agreement) after deducting the unamortized cost of leasehold improvements which costs had been approved by City and paid by Tenant. This subsection (f) shall be inapplicable if the Transferee, in the sole absolute discretion of Executive Director, is a "marine terminal operator" within the meaning of 46 U.S.C. 41002(14); and there are uncured defaults including, without limitation, unpaid Rent and, if there are, whether the proposed transferee agrees to cure, remedy or otherwise correct any default by Tenant existing at the time of the Transfer, in a manner satisfactory to the Board; and

It has been determined that a “Transfer Premium” does not exist as defined in subsection (f). The proposed transferee agrees to cure the default (i.e. noncompliance with transfer provision) at the time of the Transfer.

(g) Whether Tenant and/or Transferee agree to invest in or otherwise fund the creations of infrastructure or other improvements directly or indirectly serving the Premises;

Millennium Maritime has invested in the construction of improvements to the wharf located at Berth 301 where Millennium Maritime operates out of. The remaining term of Permit No. 882 lacks duration from which to invest further in the premises beyond what Millennium Maritime has already invested from the onset of Permit No. 882.

(h) The Transferee’s level of commitment and specific plans invest to improve the Premises following approval of the proposed Transfer, if any.

The remaining term of Permit No. 882 lacks duration from which to invest further in the premises beyond what Millennium Maritime has already invested from the onset of Permit No. 882.