



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: MAY 27, 2025

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – REINSTATEMENT AND FIVE-YEAR COMPENSATION RESET FOR PERMIT NO. 905 WITH FISHERMAN'S PRIDE PROCESSORS, INC. DBA NEPTUNE FOODS

SUMMARY:

Staff requests approval of: (i) the Second Amendment to Permit No. 905 (Permit) with Fisherman's Pride Processors, Inc. dba Neptune Foods (Neptune) concerning the first of two five-year options to extend the term; (ii) an Order approving the first option to extend the term from March 27, 2024, to March 26, 2029; and, (iii) an Order resetting compensation under the Permit for the extension period.

Approval of the proposed action will increase minimum annual rent by approximately 17 percent from \$1,064,060.23 to \$1,244,076.25 and increase percentage rent of fish products from \$0.005/pound to \$0.0058/pound and other protein from \$0.001/pound to \$0.0012/pound, effective March 27, 2024. Thereafter, annual increases for percentage rent and minimum annual rent will be applied based on the year-over-year change in the Consumer Price Index (CPI), subject to a floor of zero percent. The Amendment and Orders are subject to Neptunes payment of the \$127,808.36 option fee as a condition of the effectiveness of the proposed extension.

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 has been previously evaluated pursuant to the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Permit No. 905 retroactive to March 25, 2024;
3. Approve the Order extending the term of Permit No. 905 for five additional years with Fisherman's Pride Processors, Inc, dba Neptune Foods retroactive to March 27, 2024;
4. Approve the Order resetting compensation under Permit No. 905 with Fisherman's Pride Processors, Inc, dba Neptune Foods retroactive to March 27, 2024;
5. Direct the Board Secretary to transmit the Second Amendment and Orders to Permit No. 905 to the City Council for approval pursuant to Section 606 of the City Charter;

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6. Authorize the Executive Director to execute and the Board Secretary to attest to the Second Amendment and Orders upon approval by the Board and City Council; and
7. Adopt Resolution No. _____, Order Nos. _____, and _____.

DISCUSSION:

Background – The Permit with Neptune took effect on March 27, 2014, for a term of 10 years with two, five-year options, exercisable by the tenant for a total aggregate term of 20 years. The First Amendment to P905 added an additional 4,950 sq. ft. to the premises for a total square footage of 193,825 of improved land located at 888 Ways Street on Terminal Island (Transmittal 1). Neptune is utilizing the site for the purpose of the construction, operation, and maintenance of a seafood processing facility.

Previous Board Action – On February 8, 2024, the Board conditionally approved a Second Amendment and Order approving the option to extend the term of the Permit with Neptune (Transmittal 2) by five years from March 27, 2024, through March 26, 2029. The Board action included conditions which required that Neptune cure various permit infractions concerning unpermitted alterations to the premises by March 27, 2024, in order for the extension to take effect. Although all conditions were eventually resolved, they were not done by the deadline of March 27, 2024, and so the action did not take effect, and the permit expired and went into holdover status (i.e. a month-to-month term).

In August 2024, Neptune cured the conditions, including obtaining all applicable approvals from Los Angeles Building and Safety, and subsequently requested reinstatement of the Permit, which led to the need for this action. Neptune is now a tenant in good standing. Staff recommends the Board approve the reinstatement so that there are no disruptions to commercial fishing operations.

Current Action – The Permit reinstatement requires the Board to approve the following three instruments:

i) Second Amendment: A Permit amendment (Transmittal 3) is required to modify the due date and increase the amount for the option fee to be paid in connection with exercising the extension.

ii) Order – Extension: An Order is required per the terms of the Permit to effectuate the first five-year extension as of March 27, 2024 (Transmittal 4).

iii) Order - Rental Adjustment: As part of the proposed reinstatement and pursuant to the terms of the Permit, a compensation reset is required for the five-year period commencing March 27, 2024, and ending March 26, 2029 (Transmittal 5). Both the minimum annual rent and additional percentage rent will increase as detailed below.

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Reset Terms - Staff evaluated rent in effect prior to the reset period and determined it requires an increase to reflect the fair market rental value of the premises for the reset period. Provided below is a summary of material terms of the proposed Second Amendment and Orders.

<u>Provision</u>	<u>Current as of expiration</u>	<u>Proposed</u>
Term	Permit is on Holdover subject to termination with 30 days’ prior notice.	5-year extension effective March 27, 2024, though March 26, 2029
First Extension Option Fee.	\$30,638	\$127,808.36 (paid on April 28, 2025)
Second Extension Option Fee	\$33,006	\$141,110.76
Minimum Annual Rent	\$1,064,060.23 Per Year ¹ ~\$4.28/sf/year for paved land ~\$7.91/sf/year for buildings	\$1,244,076.25 Per Year ¹ \$5.00/sf/year for paved land \$9.25/sf/year for buildings
Percentage Rent	\$0.005/Fish/lb. products loaded across the wharf \$0.001/Squid & other Protein/lb. brought into the facility	\$0.0058/Fish/lb. ¹ products loaded across the wharf \$0.0012/ Squid & other Protein /lb. ¹ brought into the facility

¹ Subject to annual CPI increases per permit

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order and Second Amendment and Order Resetting Compensation with Neptune, which is an activity for which the underlying project has been previously assessed in Fisherman’s Pride Processors Inc. Final Initial Study and Mitigated Negative Declaration (SCH# 2013121027), which was certified by the Board on June 4, 2020. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA under Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Second Amendment and order granting the first extension will enable Neptune to continue its occupancy and will result in the assessment of a one-time extension fee in the amount of \$127,808.36.

Approval of the proposed order resetting compensation for Permit No. 905 for the period of March 27, 2024, to March 26, 2029, will increase minimum annual rent for the first year from \$1,064,060.23 to \$1,244,076.25, a 16.92 percent increase. Thereafter, minimum

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annual rent will be increased by the year-over-year change in CPI subject to a floor of zero percent.

Effective March 27, 2024, the percentage rent component of compensation will increase the per pound rate for fish products loaded across the wharf from \$0.005 to \$0.0058, and the per pound of other protein brought into the facility from \$0.001 to \$0.0012. Thereafter, both percentage rent components will be subject to annual CPI adjustments through March 26, 2029.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Second Amendment, Order extending the term, and Order resetting compensation under Permit No. 905 as to form and legality.

TRANSMITTALS:

1. Site Map
2. 2024 Board Action
3. Second Amendment
4. Order extending the term
5. Order resetting compensation

FIS Approval: JS
 CA Approval: _____

Marisa L. Katnich
 MARISA L. KATNICH
 Director of Cargo & Industrial Real Estate

Michael DiBernardo
 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director