



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 22, 2026

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF PERMIT NO. 967 WITH SO. CAL. SHIP SERVICES, LLC

SUMMARY:

Staff requests approval of Permit No. 967 with So. Cal. Ship Services, LLC (SoCal Ship) concerning the use and occupancy of City of Los Angeles Harbor Department (Harbor Department) property located at 971 S. Seaside Ave, in San Pedro, for purposes of operating an office building with support warehousing for the purpose of providing water taxi services; oil spill response and containment services; general warehousing services; employee parking; and storage of equipment and maritime related dunnage. Under the proposed action, Permit No. 967 would have a term of five years and would allow for the continuation of a sublease to Marine Spill Response Corporation, a Tennessee non-profit corporation (MSRC).

Permit No. 967, along with a companion item (Revocable Permit No. 25-20), would serve as the successors to three existing entitlements with SoCal Ship for the same locations and permitted uses.

Approval of the proposed action will generate monthly rent of \$57,730.02 (\$692,760.24 annually). Beginning on July 1, 2026, and annually thereafter, rent increases will be applied based on the year-over-year change in the Consumer Price Index (CPI), subject to a floor of three percent.

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 and has been previously evaluated pursuant to the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(3) and Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Approve Permit No. 967 with So. Cal. Ship Services, LLC;
3. Consent to the sublease between So. Cal. Ship Services, LLC and Marine Spill Response Corporation, a Tennessee non-profit corporation, under Permit No. 967;
4. Direct the Board Secretary to transmit Permit No. 967 to the City Council for approval pursuant to Section 606 of the City Charter;

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- 5. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 967; and
- 6. Adopt Resolution No. _____.

DISCUSSION:

Background - SoCal Ship has used and occupied Harbor Department property located at 971 Seaside Avenue (Transmittal 1) since 2001 for the purpose of providing water taxi services, general warehousing, storage, parking, and oil spill response and containment services. There are currently three agreements in place governing SoCal Ship’s use and occupancy of Harbor Department property:

- Permit No. 830, currently on holdover status (75,212 sq. ft. of land, and 30,005 sq. ft. of water);
- Revocable Permit No. 22-08 (16,737 sq. ft. of land, and 83,325 sq. ft. of water); and
- Revocable Permit No. 22-01 (50,311 sq. ft. of land).

The three current agreements would be terminated in favor of proposed Permit No. 967, as described herein, and the companion item, concerning Revocable Permit No. 25-20. A portion of the premises currently included in Revocable Permit No. 22-01, and all of the premises included in Permit 830 and Revocable Permit No. 22-08, will be folded into Permit No. 967. The remaining premises of 40,333 sq. ft. will be included in companion item Revocable Permit No. 25-20.

Aggregate Rent Increase - Currently SoCal Ship is paying \$627,043.20 annually for the three aforementioned agreements. Under the two new proposed agreements, SoCal Ship will pay \$878,404.08, which represents a 40 percent aggregate increase between the three old and two new agreements.

Proposed Successor Permit - SoCal Ship is a tenant in good standing. Staff recommends the Board approve Permit No. 967, which will take effect upon execution.

Provided below is a summary of material terms of Permit No. 967 (Transmittal 2):

<u>Provision</u>	<u>Permit</u>
Term	Effective upon execution for a 5-year term.
Permitted Use	For the operation of an office building with support warehousing for the purpose of providing water taxi services; oil spill response and containment services; employee parking; storage of equipment; and general warehousing services.

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Premises	Premises comprised of 114,645 sq. ft. of water area and 110,021 sq. ft. of land.
Compensation	\$57,730.02 per month \$692,760.24 per year
Rent adjustments	Annual Rent Adjustment of the >3% or CPI, effective July 1, 2026, and annually thereafter.
Maintenance and Utilities	City will maintain wharf structure, rock slopes, low voltage infrastructure and underground sewer and storm drain lines.
Restoration at Expiration	Tenant is responsible for restoring the premises, including all environmentally regulated material not depicted in the baseline report, which is an attachment to the Permit.
Insurance	Standard insurance requirements plus Ocean Marine liability and environmental impairment liability coverage as approved by Risk Management.
Security Deposit	Three months' rent in the form of cash or letter of credit
Environmental	Tenant must comply with: <ul style="list-style-type: none"> • Land Use Covenant and Agreement (approved by the Board on October 17, 2024). • All local, state, and federal air quality requirements.
Assignment / Transfers	Transfers require Board consent. Transfer fee equal to 10% of the net present value of future rent payments, using a discount rate of 10%.
Termination of Existing Entitlements	Approval of the proposed action would authorize concurrent termination of SoCal Ship's existing Permit No. 830 and Revocable Permit Nos. 22-01 and 22-08.
Sublease	Tenant authorized to sublease of portion of the premises to Marine Spill Response Corporation a Tennessee non-profit corporation (Transmittal 3).

Staff confirmed that the negotiated rate is consistent with market values for comparable properties.

	Proposed
Rent Per Year	\$692,760.24 ¹
Rate per Square Foot Per Year (94,721 sq. ft. paved)	\$4.68
Rate per Square Foot Per Year (9,978 sq. ft. paved with Land Use Restriction)	\$4.32

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Rate per Square Foot Per Year (114,645 sq. ft. water)	\$1.80
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¹ Subject to annual CPI increases per permit

Consent to Continuation of Existing Sublease - SoCal Ship sublets a portion of the premises to MSRC, which was approved by the City in 2001. MSRC uses the berth for the staging of an oil spill response vehicle, and the backlands are utilized for storage, crew parking and access to and from the wharf. MSRC and So Cal Ship are separate legal entities but have operational and regulatory interdependency. The two companies' operations are integrated which enables efficient maintenance, staging, and rapid deployment in the event of an oil spill. Provided below is a summary of material terms of the sublease:

<u>Provisions</u>	<u>Current Sublease</u>
Tenant	Marine Spill Response Corporation, a Tennessee non-profit corporation.
Effective Date	December 14, 2001
Expiration Date	Concurrent with the termination date of the underlying Permit.
Premises	250 linear feet of Wharf, the adjacent water space, and a portion of backland area.
Permitted Use	The berthing of an oil spill response vessel and backland area for crew parking.
Compensation	A prorated amount of the compensation due under Permit No. 967.

Termination of Entitlements - On May 1, 2006, Permit No. 830 went into holdover status and staff implemented holdover terms in accordance with Board direction received on August 16, 2006. SoCal Ship has remained on holdover while plans for the neighboring Southwest Marine facility were considered. Efforts to renew the Permit resumed in 2018 to adjust the footprint of the facility. An environmental review with a negative declaration was completed in 2020 and negotiations were progressing until the disruption of business operations due to the Covid-19 pandemic caused a suspension of negotiations. The company's operations have since normalized and So Cal Ship seeks to proceed with the proposed successor agreements. Approval of the proposed action would concurrently terminate SoCal Ship's existing real estate permits.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of Permit No. 967, which is an activity involving the operation of an existing parking lot and an activity for which the underlying project has been previously assessed in the So Cal Ship Services Initial Study/ Mitigated Negative Declaration (SCH# 2018061043), which was certified by the Board on September 6, 2018, and Addendum considered by the Board on June 18, 2020. Therefore, the Director

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of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA under Article III Class 1(3) and Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of Permit No. 967 and its companion item (Revocable Permit No. 25-20) will replace SoCal Ship's existing Permit No. 830, currently on holdover status, and Revocable Permit Nos. 22-08 and 22-01.

Effective upon execution, rent under Permit No. 967 will be \$57,730.02 per month (\$692,760.24 annually). Effective July 1, 2026, and annually thereafter, rent will be increased by the greater of three percent or the annual change in CPI.

Currently, SoCal Ship is paying \$627,043.20 annually for the three aforementioned agreements. Under the two new proposed entitlements, SoCal Ship will pay annual rent of \$878,404.08, which represents a 40 percent aggregate increase between the three old and two new agreements. This increase is due to increases in rental rates and a nominal increase in premises size.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved proposed Permit No. 967 as to form and legality.

TRANSMITTALS:

1. Site Map
2. Permit No. 967
3. Agreement for Berthing - Sublease

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Director, Cargo & Industrial Real Estate

FIS Approval: JS
CA Approval: SO

Dina Aryan-Zaklan for
MICHAEL DiBERNARDO
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APPROVED:

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