



Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: SEPTEMBER 19, 2017**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE PROPOSED  
SUCCESSOR PERMIT NO. 920 WITH J & D SEAFOODS, INC.**

**SUMMARY:**

Staff requests approval of successor Permit No. 920 (P-920) with J&D Seafoods, Inc., a California corporation (J&D), for use and occupancy of Stalls 5 and 6 at the San Pedro Municipal Fish Market (Municipal Fish Market). P-920 is a successor term permit to Revocable Permit No. 12-15.

City of Los Angeles Harbor Department (Harbor Department) staff has been in discussions with the Municipal Fish Market tenants for the installation of individual refrigeration units and systems that will replace the 65-year old centralized refrigeration system. This obsolete, ammonia-based operating system, which was maintained by the tenants, posed a potential environmental hazard and was expensive to maintain. The centralized system was turned off and disassembled by the Harbor Department in April 2017. Each tenant is now responsible for securing their own individual refrigeration system.

P-920 will allow J&D to make a long-term investment in the lease premises and secure funding necessary to complete the installation of two individual refrigeration systems costing approximately \$120,000 each. Annual compensation to the Harbor Department is \$32,720 annually in year 1, and \$73,520 plus CPI in years 2 and 3.

**RECOMMENDATION:**

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

1. Find that the proposed action is categorically exempt from the requirements of the California Environment Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Permit No. 920 with J & D Seafoods, Inc.;
3. Direct the Board Secretary to transmit Permit No. 920 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 Permit No. 920 upon approval by City Council; and
5. Adopt Resolution No. \_\_\_\_\_.

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**DISCUSSION:**

Background - The Municipal Fish Market was built in 1951 at Berth 72 and is a two-story, 12-stall industrial building, with a loading dock and an adjacent common public parking area. On the north side of the building, a 553-square foot shed housing the refrigeration equipment was also built in 1951 by the Harbor Department. Permits (Transmittal 1) at the Municipal Fish Market allow tenants to unload wet fish from commercial fishing boats, process and transport wet-fish products, and conduct sales of fish on a wholesale basis. J&D is one of four tenants at the facility and occupies two of the 12 Municipal Fish Market stalls (Transmittal 2).

Staff and tenants collaborated to develop a plan to transition to new refrigeration systems with the objective of shutting down the original refrigeration system. The resulting plan includes the proposed successor permit with required timelines to permit and complete the installation of individual refrigeration systems and a strategy that allowed the obsolete system to be shut down as soon as possible prior to the new systems being completed. All tenants were on track to enter into similar agreements as prescribed in the plan, but because of individual negotiations and business issues, tenants are at different stages of completing negotiations for the successor permit.

Once completed, tenants requiring onsite refrigeration will have individual refrigeration systems, thereby eliminating their collective concerns with the increasing costs associated with maintaining the existing refrigeration system, the potential for system failure, and the resulting environmental hazard that it could create.

At the Harbor Department's request, tenants currently occupying stalls at the south end of the building are required to move. These moves are required due to the proximity of the southern stalls 11 and 12 to the fuel storage tank located at the adjacent premises. Tenants occupying stalls 11 and 12 are moving to stalls five and four, respectively. Stalls 11 and 12 will be left vacant permanently.

**Summary of Permit Terms**

Term: The term shall be eight years, with two one-year extension options from the effective date.

Premises: The premises consist of the exclusive use of 11,200 square feet of improvements and nonexclusive use of 37,260 square feet of Harbor Department property composed of a wharf, loading dock and parking area.

Use: The premises shall be used for the unloading of wet-fish products from commercial fishing vessels; the processing and loading of wet-fish products; wholesale fish and seafood sales; and storage of materials related to the commercial fishing industry.

Environmental: The agreement includes environmental compliance requirements for implementation and reporting on best management practices to reduce water runoff and provide strict controls regarding discharge of water into the main channel, as well as other environmental concerns emanating from the permitted uses.

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Compensation: Annual rent is \$87,920.00, paid monthly in the amount of \$7,326.67. Rent shall be increased annually by the Consumer Price Index (CPI). CPI has a floor of zero with no cap.

Rent Credit: A monthly rental credit of \$600 per stall is provided for 60 months for the installation of a refrigeration unit. J&D has a refrigeration unit for each of its two stalls and is therefore entitled to a \$1,200 per month credit. This credit will assist with the purchase and installation of individual refrigeration systems. This credit is provided to lessen the financial impact to the tenant for the initial capital outlay required to purchase and install the new refrigeration system. In the event the Harbor Department terminates P-920 within the first five years, J&D will be entitled to a pro-rated reimbursement based on a five-year straight line depreciation schedule for the cost of each individual refrigeration system, not to exceed \$120,000 or a total of \$240,000. Once installed by the tenant, the refrigeration system will become part of the building and ownership will vest with the Harbor Department. In order to qualify for the monthly rental credit or the reimbursement, the tenant must provide proof of the cost of its refrigeration system, including installation.

Tenant will be entitled to an additional monthly rent credit of \$3,400.00 per month, for 12 months for expenses associated with the movement of the business from stall 11 to stall 5.

Use of the subject property as a commercial fish processing business is consistent with the Port Master Plan and State Tidelands Trust, which emphasizes that preference be given to the commercial fishing industry facilities within the Main Channel area where the improvement is located. J&D is considered a tenant in good standing and therefore eligible for a lease renewal under the Waterfront and Commercial Leasing Guidelines.

#### **ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a successor Permit with J&D Seafoods. As an activity involving the issuance of a permit to use an existing structure with negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA under Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

#### **FINANCIAL IMPACT:**

Under the proposed J&D successor P-920, the annual compensation to the Harbor Department will be set at \$87,920 (compared to approximately \$75,000 annually under the current RP 12-15) and will be adjusted by CPI annually with a floor of zero and no cap. P-920 is for an eight-year term with two one-year renewal options, for a total possible term of ten years for use of Harbor Department owned land and improvements. The proposed permit provides for rent credits for each of the two refrigeration units the tenant will purchase, install, operate, and maintain. The Harbor Department will provide an annual rent credit of \$14,400 for the first five years of the permit related to installation of refrigeration units. The Harbor Department will also provide a \$40,800 rent credit in the initial year of the permit for reimbursement of moving expenses, resulting in "total rent flows" to the Harbor Department as follows:

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Year	0	1	2	3	4	5	6	7	8	9	10
Rent (@ 2.5% CPI starting Year 2)	87,920	90,117	92,368	94,676	97,041	99,466	101,951	104,498	107,109	109,785	
Refrigration rent credit	(14,400)	(14,400)	(14,400)	(14,400)	(14,400)	0	0	0	0	0	0
Moving expense rent credit	(40,800)	0	0	0	0	0	0	0	0	0	0
<b>Total rent flows</b>	<b>92,720</b>	<b>75,717</b>	<b>77,968</b>	<b>80,276</b>	<b>82,641</b>	<b>99,466</b>	<b>101,951</b>	<b>104,498</b>	<b>107,109</b>	<b>109,785</b>	
Current rent under RP 12-15 (@ 2.5% CPI starting Year 2)	74,711	76,577	78,491	80,452	82,462	84,522	86,634	88,798	91,017	93,290	
Increase (decrease) compared to current rent	(41,991)	(861)	(522)	(176)	180	14,944	15,317	15,700	16,092	16,494	

A comparison of proposed "Total rent flows" versus "Current rent under RP 12-15" shows beginning in Year 5 the Harbor Department's net rent flows will begin to surpass current RP 12-15 rent flows. Upon the effective date of the permit and after installation of the refrigeration system(s) by the tenant, ownership of the refrigeration system(s) will vest with the Harbor Department.

**CITY ATTORNEY:**

Permit No. 920 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

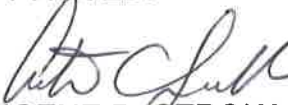
1. Permit No. 920
2. Site Map

FIS Approval: MB (Initials)  
CA Approval: gm (Initials)

  
MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

  
FOR EUGENE D. SEROKA  
Executive Director

ES:MD:MG:ER:RV:KS:cb  
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BL689cb J&D Permit