

DATE: AUGUST 3, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE THE ORDER
CONSENTING TO THE ASSIGNMENT OF PERMIT NO. 947 FROM
CERTI-FRESH FOODS, INC. TO PORT TOWN FOODS, LLC**

SUMMARY:

Staff requests approval of the proposed Order consenting to the Assignment of Permit No. 947 (P-947) with Certi-Fresh Foods, Inc. (Certi-Fresh) to Port Town Foods, LLC (Port Town).

P-947 was granted to Certi-Fresh for a term of seven years with two, one-year extension options effective July 20, 2020. P-947 entitles Certi-Fresh the right to use City of Los Angeles Harbor Department (Harbor Department) property known as Stall No. 9 at the San Pedro Municipal Fish Market (Fish Market) for the processing of wet-fish, meat, and poultry products as well as wholesale fish, seafood, and related protein sales. Annual rent is \$56,654.64, paid monthly at \$4,721.22 and subject to annual Consumer Price Index (CPI) increases.

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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order consenting to the Assignment of Permit No. 947 from Certi-Fresh Foods, Inc. to Port Town Foods, LLC;
3. Authorize the Board Secretary to attest to the Order consenting to the Assignment of Permit No. 947; and
4. Adopt Resolution No. _____ and Order No. _____.

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DISCUSSION:

Background – P-947 with Certi-Fresh was approved by the Board on April 2, 2020, and became effective on July 20, 2020, for a term of seven-years with two consecutive one-year extension options. Certi-Fresh currently has the right to occupy and use Harbor Department property known as Stall No. 9 at the San Pedro Municipal Fish Market (Transmittal 1). Certi-Fresh utilizes Stall No. 9 for the processing of wet-fish, meat, and poultry products, as well as wholesale fish, seafood, and related protein sales.

On March 2, 2021, Certi-Fresh notified staff of its intention to sell all of its assets except P-947 which is proposed to be transferred to Port Town, a company owned by principals of Cert Fresh and in the business of processing and wholesale sales of wet-fish and other proteins.

Permit Summary

Provisions	Description
Term	Seven years, with two consecutive one-year extension options.
Premises	6,400 square feet of warehouse and office space. Nonexclusive use of 35,070 square feet of common areas.
Maintenance and Repair	Certi-Fresh is responsible for all maintenance and repair of Stall No. 9, except for the roof.

Proposed Transfer

Assignment Fee: Section 113.7 of the Permit requires the tenant to pay to the City an Assignment Fee. However, staff recommends the Board waive the assignment fee based on the circumstances of the transfer including that P-947 has been effective for less than one year (since July 20, 2020) and that the transfer is from Certi-Fresh to former principals of Certi-Fresh in which there was no compensation paid for the asset transfer. Certi-Fresh’s recent sale included all assets except its current P-947 which entitles Certi-Fresh the right to Stall No. 9 at the Fish Market for the processing of wet-fish, meat, and poultry products as well as wholesale fish, seafood, and related protein sales. As a condition of the Assignment approval, Port Town will provide an additional month’s (\$4,721.22) security deposit to further secure their rental obligation. The security deposit will go from two months to three, increasing the security deposit on file from \$9,442.44 to \$14,163.66. Port Town has agreed to pay the additional security deposit.

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Transfer Notice Provisions: Under the terms of Section 113.3.1 of P-947, Certi-Fresh has provided the Harbor Department a Transfer Notice establishing the intent to make a transfer of P-947 (Transmittal 2). The Transfer Notice includes prescribed information to allow the Harbor Department to review the nature of the transfer and quality of the proposed transferee. Prescribed information requirements in the Transfer Notice include:

- a) the identity of the transferee:** Port Town Foods, LLC
- b) description of the business structure of the transferee, history, nature of business, character, reputation and experience in the proposed operation:**
 - Entity Type: Limited Liability Corporation in the State of California. Seafood Processor and Wholesaler, Meat and Poultry Wholesaler
 - Background/History of Business: Port Town Foods, LLC was founded in 2019 as a local Fresh and Frozen Wholesale Seafood and Meat Market and full scale seafood processing business.
 - Reputation and Experience: Port Town staff has over 100 years of industry experience in processing fresh and frozen seafood for numerous national restaurants. Additionally, Port Town takes pride in being an integral part to the local San Pedro and Wilmington communities.
- c) description of the type of transfer proposed and the rights proposed to be transferred:** Certi-Fresh has sold all assets with the exception of P-947 which is now proposed to be assigned to Port Town.
- d) description of proposed operation on the existing premises:** Port Town plans to utilize the facilities with the existing employee base consistent with Certi-Fresh's current use. This includes the processing of wet-fish, meat and poultry products as well as wholesale fish, seafood, and related protein sales.
- e) terms of the proposed transfer:** On March 2, 2021, Certi-Fresh notified Harbor Department staff that it had entered into an exclusive agreement to sell its assets except for Port Town.
- f) proposed form of guaranty if any:** Harbor Department Financial Management staff has determined Port Town to have adequate financial capabilities to meet the obligations of the P-947. Port Town is a standalone company with no upstream companies to provide a guarantee. Based on the financial analysis, Port Town as a standalone company has the financial capability to meet the obligations under the P-947. Therefore, it is recommended that no guaranty be required.

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- g) **proposed business plan for transferee:** Port Town plans on continuing Certi-Fresh's current operation of processing California calamari, fresh fish, and poultry for local wholesale and wholesale to national restaurant chains.
- h) **general description of any planned alterations or improvements to the premises:** Port Town plans to utilize the existing Certi-Fresh facilities as is. Port Town plans to eventually refurbish the stall freezers.
- i) **a general description of the transferee's worth including audited financial statements:** Port Town's representatives previously provided financial and background information to Harbor Department staff. Harbor Department's Financial Management staff have reviewed the financial statements. Staff determined that Port Town has the adequate financial ability to meet obligations of P-947.
- j) **and other relevant information:** see Transfer Notice
- k) **written authorization allowing City to inspect and review any books and records or other information of Tenant or Transferee:** see Transfer Notice

Transfer Notice Findings: Based on the information provided in the Transfer Notice, financial records and other information previously reviewed during the due diligence process that has been ongoing since the Harbor Department was notified of the proposed P-947 assignment on March 2, 2021, Port Town has demonstrated the requisite experience, financial strength, and ability to continue to operate the Certi-Fresh facility in the Port of Los Angeles. The Financial Planning & Analysis Division has determined that Port Town possesses adequate profitability and liquidity to fulfill rental obligations of \$4,721.22 per month.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the proposed Order consenting to the Assignment of P-947 with Certi-Fresh to Port Town, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed assignment of P-947 to Port Town will result in the continuance of all operations allowed under the permit. The Harbor Department will continue to receive rent of \$4,721.22 per month, and Port Town would become solely responsible for all regulatory requirements as well as maintenance-related responsibilities under P-947, except as stated in Exhibit J. As a condition of the transfer, Port Town will provide an additional month of rent in the form of a security deposit.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Assignment Order as to form and legality.

TRANSMITTALS:

1. Site Map
2. Transfer Notice
3. Assignment and Assumption of Permit
4. Assignment Order

FIS Approval: MB
CA Approval: JS

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