



DATE: AUGUST 12, 2025

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVE ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 999 WITH CHINA SHIPPING
(NORTH AMERICA) HOLDING CO., LTD.

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 999 between the City of Los Angeles Harbor Department (Harbor Department) and China Shipping (North America) Holding Co., Ltd. (China Shipping). The proposed Order would increase the Minimum Annual Guarantee (MAG) by \$1,970,412, or 7.9 percent, from \$24,794,388 currently to \$26,764,800 as proposed with scheduled increases thereafter over the five-year period of June 28, 2025, through June 27, 2030. Twenty-Foot Equivalent Units (TEU) Charges will remain unchanged from those in effect as of June 27, 2025. Both the MAG and TEU Charges will continue to be subject to increases in accordance with Not Otherwise Specified (N.O.S.) cargo rates in Tariff No. 4 (i.e. General Rate Increase).

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) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation under Permit No. 999 with China Shipping (North America) Holding Co., Ltd. for the five-year period of June 28, 2025, through June 27, 2030;
3. Authorize the Board Secretary to attest to the Order resetting compensation to be paid by China Shipping (North America) Holding Co., Ltd. pursuant to Section 3 (g) of Permit No. 999 and;
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: APPROVE ORDER RESETTING COMPENSATION UNDER PERMIT NO. 999 WITH CHINA SHIPPING (NORTH AMERICA) HOLDING CO., LTD.

DISCUSSION:

Background – Permit No. 999 grants China Shipping non-exclusive use of 130.56 acres at Berths 100-102 (Transmittal 1) and has a 25-year term that commenced June 28, 2005, with three five-year extensions exercisable by the tenant. Compensation is reset in five-year intervals. A compensation reset for the period of June 28, 2025 through June 27, 2030, was due on June 28, 2025. Staff commenced negotiations concerning this reset with China Shipping in December 2024 and concluded negotiations in June 2025, consistent with the deadlines set forth in in the Permit.

Compensation Structure - The compensation is designed such that China Shipping ultimately pays the greater of (i) MAG or (ii) TEU charges. MAG and TEU charges are described as follows:

- 1) MAG - The MAG is the minimum amount of wharfage and dockage due over the course of a given year. The MAG may be expressed as either an annual amount or on a per acre basis, which is calculated by dividing the annual MAG amount by the number of acres subject to the MAG. The current MAG is \$189,908 per acre (totaling approximately \$24.8 million per year).
- 2) TEU charges - TEU charges are determined by multiplying the number of TEUs handled over the course of a given year by the applicable TEU rate. Charges are set on a per-TEU basis and fluctuate based on an efficiency scale. The greater the number of TEUs that China Shipping handles annually on a per-acre basis, the lower the charge on a per-TEU basis.

After the conclusion of a given compensation year, the MAG is compared to TEU charges. If China Shipping has not generated sufficient TEU charges to pay the MAG, then China Shipping would have 30 days to pay the deficiency between TEU charges and the MAG.

Proposed Reset Terms – Under this proposed action, China Shipping’s MAG would increase as reflected in the table below, on a step-up basis; the negotiated MAG rates are reflective of the fair market rental value of the premises. The TEU rates will remain unchanged, as they already reflect the fair market value as of the date of the commencement of the reset period. Notwithstanding the foregoing, MAG and TEU rates will continue to both be subject to GRIs throughout the five-year period.

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Staff proposes MAG compensation under Permit No. 999 for the period of June 28, 2025, through June 27, 2030, be as follows:

PROPOSED COMPENSATION June 2025 – June 2030 MAG Current MAG: \$189,908/acre/year MAG Acres: 130.56			
Period	Total MAG	MAG per Acre	Yearly % Increase MAG per Acre
6/28/2025 - 6/27/2026	\$26,764,800	\$205,000	7.9%
6/28/2026 - 6/27/2027	\$28,070,400	\$215,000	4.9%
6/28/2027 - 6/27/2028	\$29,376,000	\$225,000	4.7%
6/28/2028 - 6/27/2029	\$30,420,480	\$233,000	3.6%
6/28/2029 - 12/31/2029	\$31,008,000	\$235,000	1.9%
1/1/2030 - 6/27/2030		\$240,000	

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Order resetting compensation with China Shipping, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the Order resetting compensation for the five-year period of June 28, 2025, through June 27, 2030, will increase the MAG in the first year by \$1,970,412, or 7.9 percent, from \$24,794,388 currently to \$26,764,800 as proposed with scheduled increases thereafter.

The table below summarizes the MAG anticipated to be earned over the five-year period:

Period	MAG
6/28/2025 - 6/27/2026	\$26,764,800
6/28/2026 - 6/27/2027	\$28,070,400
6/28/2027 - 6/27/2028	\$29,376,000
6/28/2028 - 6/27/2029	\$30,420,480
6/28/2029 – 6/27/2030	\$31,008,000
5-Year Total	\$145,639,680
Less: 5-Year MAG at current levels	(\$123,971,942)
Equals: 5-Year Increase	\$21,667,738

As stipulated in Section 3(g) of Permit No. 999, the Order resetting compensation is retroactive to June 28, 2025. Should China Shipping exceed the MAG in any given year, the Harbor Department will receive compensation in excess of the MAG.

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CITY ATTORNEY:

The Order resetting compensation has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Order
2. Site Map

FIS Approval: JS (initials)
CA Approval: SO (initials)

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