



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 19, 2017

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 (P999) between the City of Los Angeles Harbor Department (Harbor Department) and China Shipping North America Holding Co., Ltd. (China Shipping) for the operation of a container terminal in the West Basin. The reset covers the five-year period of June 28, 2015 through June 27, 2020 and will result in an aggregate increase of \$619,115.52 in minimum annual guarantee (MAG) over the period, which is the financial responsibility of China Shipping.

RECOMMENDATION:

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

1. Find 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 as determined by the Director of Environmental Management;
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, 2015 to June 27, 2020;
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: COMPENSATION RESET UNDER PERMIT NO. 999 WITH CHINA SHIPPING NORTH AMERICA HOLDING CO., LTD.

DISCUSSION:

Background – P999 has a term of 25 years that commenced on June 28, 2005, and expires on June 27, 2030. P999 grants China Shipping non-exclusive use of 130.56 acres at Berths 100-102, which is subject to a (MAG) and Twenty Foot Equivalent Units (TEU) charges.

As required under the City Charter, P999 requires that compensation be reset every five years. The current compensation structure under P999 has several major components:

- 1) Payment of TEU charges. TEU charges are set based on a sliding scale that provides discounts as higher volumes are achieved. The TEU charges are subject to increases based on any increase in the Not Otherwise Specified (N.O.S.) cargo rate in Tariff No. 4.
- 2) Payment of MAG. If TEU charges fail to reach the revenue per acre as established by the MAG, the value established by the MAG becomes the baseline for minimum rent due the Harbor Department. MAG is also subject to increase based on any increase in the N.O.S. cargo rate in Tariff No. 4.
- 3) Combined Compensation with Yang Ming Transport Corporation.
- 4) Empty and Transshipped Container Discounts.

Proposed Compensation - Staff proposes that compensation under P999 for the period of June 28, 2015 through June 27, 2020 be as follows:

<p align="center">COMPENSATION SUMMARY</p> <p align="center">June 28, 2015 to June 27, 2020</p> <p align="center">Current MAG: \$156,525/acre/year</p>	
Year	Minimum Annual Guarantee (MAG)
6/28/2015 - 6/27/2016	No Change
6/28/2016 - 6/27/2017	No Change
6/28/2017 - 6/27/2018	\$158,090 per acre per year
6/28/2018 - 6/27/2019	\$159,671 per acre per year
6/28/2019 - 6/27/2020	\$161,267 per acre per year
TEU RATES	No Change

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under Permit No. 999 with China Shipping. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Order resetting compensation (Transmittal 1) for the period of June 28, 2015 through June 27, 2020 will increase the amount of rent for the permit premises (Transmittal 2). As a result, MAG revenue to the Harbor Department will increase by a total of \$619,115.52 for the five-year period.

CHANGE IN COMPENSATION SUMMARY June 28, 2015 to June 27, 2020 Current MAG: \$156,525/acre/year		
Year	Total MAG	Increase in Revenue (MAG)
6/28/2015 - 6/27/2016	\$20,435,904.00	No Change
6/28/2016 - 6/27/2017	\$20,435,904.00	No Change
6/28/2017 - 6/27/2018	\$20,640,230.40	\$204,326.40
6/28/2018 - 6/27/2019	\$20,846,645.76	\$206,415.36
6/28/2019 - 6/27/2020	\$21,055,019.52	\$208,373.76
Total Increase 6/28/2015 - 6/27/2020:		\$619,115.52
TEU RATES	No Change	

As stipulated in Section 3(g) of the P999, the Order resetting compensation is retroactive to June 28, 2015. 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.

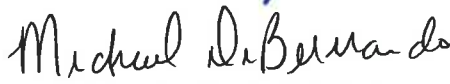
TRANSMITTALS:

1. Order
2. Site Map



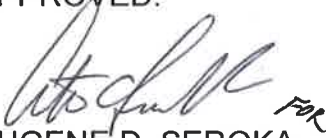
JACK C. HEDGE
Director of Cargo & Industrial Real Estate

FIS Approval:  (initials)
CA Approval:  (initials)



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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BL694mmm China Shipping Reset