



Executive Director's

Report to the
Board of Harbor Commissioners

DATE: OCTOBER 23, 2013

FROM: REAL ESTATE

**SUBJECT: ORDER NO. _____ – PROPOSED TENTH AMENDMENT TO
 PERMIT NO. 692 WITH YUSEN TERMINALS, INC.**

SUMMARY:

Permit No. 692 (Permit) between the City of Los Angeles Harbor Department (Harbor Department) and Yusen Terminals, Inc. (YTI) grants nonexclusive use of 224.82 acres at Berths 211-224 for container terminal operations. The Permit is for a term of 25 years that expires on September 30, 2016, with one ten-year extension option. In order to exercise this option, YTI must provide written notice to the Harbor Department not later than 24 months prior to the end of the initial term of the Permit (by August 2014). The proposed Tenth Amendment will change the date that YTI has to exercise the option from 24 months to no later than 12 months prior to the end of the initial term of the Permit (i.e., August 2015) to allow for the completion of the Environmental Impact Report/Environmental Impact Statement (EIR/EIS) process prior to the notification requirement.

Currently, the Harbor Department is preparing an EIR/EIS to redevelop the YTI terminal. The EIR/EIS is expected to be completed and presented to the Board for consideration in September of 2014. If the EIR/EIS is certified, YTI will notify the Harbor Department of its desire to exercise the option to extend the Permit for another ten years by August 2015.

The proposed project includes deepening Berths 214-216 and 217-220, -220, improving Berths 217-220 to accommodate 100-foot gauge gantry cranes, adding new cranes and extending the height and reach of existing cranes, expanding YTI's portion for the Terminal Island Container Transfer Facility (TICTF) on dock railyard, and other related actions. This redevelopment would allow YTI to service larger ships up to 13,000 Twenty-Foot Equivalent Unit (TEU) at Berths 214-214 and 10,000 TEUs at Berths 217-220 which are expected to call at the terminal over the next ten years.

RECOMMENDATION:

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

1. Approve the Tenth Amendment to Permit No. 692 with Yusen Terminals, Inc.;
2. Direct the Board Secretary to transmit the Tenth Amendment to Permit No. 692 to the City Council for approval pursuant to Section 606 of the City Charter;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Tenth Amendment upon Board approval contingent upon approval by City Council; and

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4. Adopt Order No. _____.

DISCUSSION:

Background/Context – YTI is the assignee of Nippon Yusen Kaisha and the current tenant of premises, which includes a container terminal at Berths 211-224 (Transmittal 1) under the Permit. The Permit grants YTI nonexclusive use of 224.82 acres at the YTI Terminal, of which 181.36 acres are subject to a Minimum Annual Guarantee and TEU efficiency charges. The remaining 43.46 acres are dedicated to the non-preferential areas of the TICTF, the Radiation Portal Monitor site on New Dock Street, and off-site storage at Site 6A.

The Permit allows YTI to extend the initial 25 year term for a period of ten years. The original agreement states that YTI must exercise by written notice its intention to extend the term no later than 24 months prior to the end of the initial term of the agreement. YTI indicates that it intends to exercise the option for a ten-year lease extension. However, the Harbor Department is currently preparing an EIR/EIS for proposed redevelopment at the terminal and YTI desires that the EIR/EIS process be complete prior to giving notice of their intent to exercise the extension. The expected completion schedule for the EIR/EIS is September of 2014, which is after the 24 month notice requirement has passed in August 2014. Therefore, the notification deadline is amended to 12 months occurring in August 2015 to allow for completion of the EIR/EIS prior to the notification requirement.

The redevelopment of the terminal being proposed and assessed in the EIR/EIS would allow YTI to accommodate the next generation of larger vessels expected to call at the terminal over the next ten years. The project would deepen two berths and add capacity to the TICTF on-dock railyard, to allow YTI to handle vessels up to 13,000 TEUs. The proposed project also includes extending the 100-foot gauge crane rail to Berths 217-220, adding new cranes, extending the height and reach of existing cranes, and repairing and adding a concrete runway to the backlands.

The cost to redevelop the terminal is approximately \$46,000,000. The redevelopment is necessary to remain competitive with the opening of the Panama Canal by accommodating larger vessels.

Recently, the Harbor Department, in conjunction with the U.S. Army Corps of Engineers, completed the Main Channel Deepening Project in the vicinity of the YTI Terminal, which provides -53 feet depths in the Main Channel and turning basins at the Port, thereby accommodating the largest modern container ships in service and under construction. However, the YTI Terminal is presently unable to take full advantage of the -53 feet Main Channel depth due to wharves at the site which only allow a maximum -45 feet berth depth.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a permit amendment to reduce the notice requirements for YTI's option to extend the Permit from 24 months to 12 months to accommodate completion of an EIR/EIS for proposed terminal redevelopment prior to the notice requirement. As an administrative activity, the Director of Environmental Management has determined that the proposed action is 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.

ECONOMIC BENEFITS:

Approval of the proposed Amendment (Transmittal 2) will have no employment impacts.

FINANCIAL IMPACT:

The proposed Tenth Amendment will change the period of time that YTI will have to exercise its ten-year renewal option from 24 months (August 2014) to no later than 12 months (August 2015) prior to the end of the Permit. Once YTI notifies the Harbor Department of its desire to exercise its option to extend its Permit for an additional ten years, a separate future Board action will fully present the financial impact of that action.

CITY ATTORNEY:

The proposed Tenth Amendment and Order (Transmittal 3) have been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. Site Map
- 2. Tenth Amendment
- 3. Order


 JACK C. HEDGE
 Director of Real Estate

FIS Approval:  (initials)
 CA Approval:  (initials)
 FOR 
 KATHRYN McDERMOTT
 Deputy Executive Director

APPROVED:

 GERALDINE KNATZ, Ph.D.
 Executive Director