



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JULY 11, 2024**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ – THIRD AMENDMENT AND ORDER  
RESETTING COMPENSATION UNDER PERMIT NO. 892 WITH CAL  
MARINE FISH COMPANY, LLC.**

**SUMMARY:**

Staff requests approval of: (i) the Third Amendment to Permit No. 892 (Permit) with Cal Marine Fish Company, LLC (Cal Marine) to reduce the premises size from 248,351 square feet to 228,351 square feet effective January 1, 2024; and (ii) an Order resetting compensation under the Permit for the five-year period of November 6, 2022, through November 5, 2027. Cal Marine uses the premises to operate its fish offloading and processing facility located in Fish Harbor.

Under the proposed action, taking into account the projected premises reduction, Cal Marine's minimum annual rent will increase in a graduated manner i) from \$518,385.32 to \$652,611.24, a 25.89 percent increase, effective November 6, 2022; and ii) increase to \$724,496.29, a 11.01 percent increase, effective November 6, 2023. Thereafter, minimum annual rent will increase by the year-over-year change in the Consumer Price Index (CPI), subject to a floor of zero percent. Further, effective November 6, 2022, the percentage rent component of compensation will increase as follows: the per pound rate for fish products will increase from \$0.005 to \$0.0056, and the per pound of squid will increase from \$0.001 to \$0.0012 subject to annual CPI adjustments thereafter through November 5, 2027.

**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 and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation under Permit No. 892 with Cal Marine Fish Company, LLC.;
3. Approve the Third Amendment to Permit No. 892;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Third Amendment and Order resetting compensation under Permit No. 892; and
5. Adopt Resolution No \_\_\_\_\_ and Order No. \_\_\_\_\_.

SUBJECT: COMPENSATION RESET FOR PERMIT NO. 892 WITH CAL MARINE FISH COMPANY, LLC.

**DISCUSSION:**

Background – Permit No. 892 with Cal Marine took effect on June 7, 2011, and expires November 5, 2037. The premises (Transmittal 1) consists of 248,351 square feet of improved land (i.e. warehouse, parking lots, office buildings) located at 220 Cannery Street, Terminal Island, for purposes of operating a commercial fish processing facility. The Harbor Department owns a majority of the improvements at the site, which are essentially fully depreciated.

Proposed Third Amendment – Under the proposed Third Amendment (Transmittal 2) the premises would be reduced from 248,351 square feet to 228,351 square feet effective January 1, 2024. The relinquished property will be transferred to Harbor Department's control to allow for maritime use. Under the Permit, premises modifications involving 20,000 square feet or less may be approved by the Board without further action by the City Council.

Proposed Compensation Reset – The details of the proposed Order resetting compensation (Transmittal 3) are outlined below.

Compensation Structure - Cal Marine's compensation structure is comprised of a base rent which includes: (i) a minimum annual rent, and (ii) percentage participation rent for fish and squid processed at the facility. As of November 5, 2022, base rent was as follows:

Minimum annual rent:	\$518,385.32/year or \$2.09/sf/year
Percentage rent:	\$0.001/Squid/lb. and \$0.005/Fish/lb.

Pursuant to the terms of the Permit, Cal Marine's minimum annual rent is reduced by 28 percent to offset participation in percentage rent. The percentage rent, tied to fish and squid catches, fluctuates based upon catch size and ranges from \$40,000 to \$80,000 annually.

Minimum annual rent is subject to both (i) annual adjustments based on the year-over-year increase in the CPI, subject to a floor of zero percent and (ii) five-year compensation resets. Percentage rent is currently only subject to five-year resets. The proposed Order would retroactively reset compensation with an effective date of November 6, 2022. Staff evaluated rent in effect prior to the reset period and determined it was below market and required an increase.

Negotiation Timeline - Because the parties did not reach agreement on the reset by the commencement of the reset period, staff increased the minimum annual rent by 125 percent as required under the permit and initiated the process to determine the reset amount via an appraisal. Following protracted negotiations staff and Cal Marine ultimately arrived at a negotiated step-up reset to bring the rates in line with market with adjustments to the size of the premises in lieu of completing the appraisal process.

Also, Cal Marine agreed to a twenty thousand (20,000) square foot premises reduction to facilitate offsetting a portion of the agreed upon rent increase Cal Marine is incurring as part of the compensation reset. Concluding negotiations on the premises reduction

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required more time than expected, which affected the overall negotiation timeline. The effort required consultation with outside public agencies, regarding fire hydrant and power pole relocations, and changes to facility’s ingress and egress points. The reduction reflected in the amendment takes into account all feedback and requirements from outside agencies.

Notwithstanding these delays, the reset takes effect retroactively to the commencement of the reset period and rates continue to be subject to annual CPI adjustments in July 2023, July 2024, and annually thereafter.

As prescribed in the Permit, the monies paid at the 125 percent rate count against the rent which accrues from the date the five-year adjusted period commenced. Details are below.

Reset Terms - Based upon land sales data, staff recommended an increase in base rent using a range of \$4.00 - \$4.75/sf/year. The parties negotiated a graduated rent reset proposal. Under this graduated reset proposal, the minimum annual rent per square foot per year would increase from \$2.09 to ~\$3.19 by November 5, 2024, after accounting for the 28 percent reduction to a base rate of \$4.43.

As such, it is recommended that rent be increased as proposed below:

Minimum Annual Rent	Proposed	
November 6, 2022 - November 5, 2023 <sup>1</sup>	~\$2.63/sf/year <sup>5</sup>	\$652,611.24
November 6, 2023 - November 5, 2024 <sup>2,3</sup>	~\$3.13/sf/year <sup>5</sup>	\$724,496.29
November 6, 2024, and annually thereafter	+CPI each July	N/A
Percentage Rent	Proposed	
November 6, 2022 - November 5, 2023	\$0.0012/Squid/lb. and \$0.0056/Fish/lb.	N/A
November 6, 2023 - November 5, 2024 <sup>4</sup>	\$0.0012/Squid/lb. and \$0.0058/Fish/lb.	N/A
November 6, 2024 – November 5, 2027	+CPI each November	N/A

<sup>1</sup> Includes July 2023 CPI adjustment of 3.2 percent.

<sup>2</sup> Includes scheduled July 2024 CPI adjustment estimated at 3 percent.

<sup>3</sup> Premises reduced by 20,000 effective January 1, 2024, via the proposed Third Amendment.

<sup>4</sup> Includes November 2023 CPI adjustment of 3.16 percent.

<sup>5</sup> Blended rate based on premises size and actual rates.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the Third Amendment to the Permit with Cal Marine to reduce the premises size and an order resetting compensation, which is an

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administrative activity and an activity involving the amendment to a permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Order will reset the compensation for Permit No. 892 for the period of November 6, 2022 through November 5, 2027. Under the proposed reset, minimum annual rent under Permit No. 892 will increase from \$518,385.32 to \$652,611.24, a 25.89 percent increase, effective November 6, 2022. For the period starting November 6, 2023, minimum annual rent will be \$724,496.29, inclusive of an estimated three percent CPI adjustment as well as a premises reduction adjustment. Thereafter, minimum annual rent will be increased by the year-over-year change in CPI subject to a floor of zero percent.

Effective November 6, 2022, the percentage rent component of compensation will increase the per pound rate for fish products from \$0.005 to \$0.0056, and the per pound of squid from \$0.001 to \$0.0012. Further effective November 6, 2023, the percentage rent component of compensation will increase the per pound rate for fish products from \$0.0056 to \$0.0058, and the per pound of squid from will remain at \$0.0012. Thereafter, both percentage rent components will be subject to annual CPI adjustments through November 5, 2027.

**CITY ATTORNEY:**

The Third Amendment and Order setting compensation under Permit No. 892 have been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

- 1. Site Location Map
- 2. Third Amendment
- 3. Order

FIS Approval: *JS*  
 CA Approval: *SO*

*Marisa L. Katnich*  
 MARISA L. KATNICH  
 Director, Cargo & Industrial Real Estate

*Michael DiBernardo*  
 MICHAEL DiBERNARDO  
 Deputy Executive Director

APPROVED:

*Erica M. Calhoun* for

EUGENE D. SEROKA  
Executive Director