



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MAY 2, 2017**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE REVOCABLE PERMIT LICENSE TO HARBOR BREEZE CORP. FOR COMMERCIAL CHARTER PASSENGER VESSEL OPERATIONS AT THE DOWNTOWN HARBOR**

**SUMMARY:**

Staff requests approval of the Revocable Permit License (RP License) with Harbor Breeze Corp. (Harbor Breeze) for the operation of commercial charter vessel passenger operations at the Downtown Harbor located at Berth 85, as well as use of the Downtown Harbor for tours scheduled on behalf of the City of Los Angeles Harbor Department (Harbor Department). The RP License is for a period of three years, with two one-year renewal options. The Harbor Department reserves the right to cancel all or a portion of the RP License upon giving 90 days' written notice. Based on past performance in 2016, and projections from Harbor Breeze, annual income from this RP License is expected to reach \$17,500.

**RECOMMENDATION:**

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(18b) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Revocable Permit License with Harbor Breeze Corp.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Revocable Permit License; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – The Downtown Harbor is part of the Harbor Department's effort to promote the LA Waterfront as a district of cultural, institutional, and educational uses. To complement these facilities, additional berthing was constructed at Berth 85 for use as Recreational Courtesy Docks.

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Since the completion of the Downtown Harbor in June 2014, the docks at Berth 85 have been underutilized, and are primarily used for Harbor Department-commissioned boat tours and events such as Tall Ships, Holiday Parade, and movie nights. Small recreational vessels occasionally dock for free for no more than four hours, as permitted by Tariff No. 4. The Waterfront and Commercial Real Estate Division (WCRED) has also issued short-term permits to various civic and non-profit groups that requested docking longer than the permitted time.

In 2016, Harbor Breeze requested permission to operate pre-scheduled charter commercial operations at the Downtown Harbor. Since the Tariff prohibits commercial operations without obtaining a permit from the Executive Director, and it was unknown if such operations were feasible, Harbor Breeze was issued Temporary Entry and Use Permit (TEUP) No. 1587 from May 25 to August 30, 2016, as a trial period. The northern docks of Berth 85 comprised the permit premises, with the Berth 85 southern docks and the public landing at Berth 83 serving as alternate locations. The TEUP only allowed Harbor Breeze use of the premises for pre-scheduled tour groups during weekdays which required coordination with WCRED. Harbor Breeze was required to seek Executive Director approval for tours during the weekends and/or holidays. Harbor Breeze paid 7 percent of gross receipts, which totaled approximately \$18,000 for the three-month period. Over 10,000 passengers were transported to and/or from the Downtown Harbor under TEUP No. 1587. The operations met the goals of promoting the LA Waterfront and providing access to the facilities for more people.

Competitive Process - In order to give all vessel operators the chance to conduct such operations at the Downtown Harbor, the Request for Proposals for Charter Commercial Passenger Vessel Operations (RFP) was drafted and released on February 23, 2017, for a term of three years, with two one-year options to renew.

A pre-proposal meeting and site tour was held on March 7, 2017, and three companies were represented. The deadline for the submittal of proposals was March 28, 2017. Only Harbor Breeze submitted a proposal.

Harbor Breeze garnered an average rating of 86 from the three members of the evaluation committee comprised of representatives from the Construction & Maintenance, Financial Management, and Waterfront & Commercial Real Estate Divisions. The proposal was evaluated on the following criteria:

- a. Firm qualifications, experience, and references;
- b. Financial capability and financial offer;
- c. Personnel, staffing, and vessels; and
- d. Marketing plan to promote LA Waterfront, business plan, management and schedules

A telephone conference was held on April 12, 2017 to ascertain Harbor Breeze's financial capabilities and clarify proposal elements with regard to water taxis and dinner cruises by third-party boat operators and financial capability, as well as issues that may arise in the course of the agreement such as construction in the general vicinity and redirection of traffic flows.

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RP License – The proposed RP License (Transmittal 1) grants Harbor Breeze (Licensee) the right to use the Downtown Harbor for the operation of chartered commercial passenger vessels serving prescheduled tour groups. No advertising, scheduling, collection of money or any other activities other than the loading and unloading of passengers and supplies are permitted.

Licensee will provide a monthly schedule, subject to the Executive Director or designee's approval, for weekdays. Weekend and holiday docking at the Premises is not permitted without prior written authorization of the Executive Director or designee. The Executive Director or designee reserves the absolute right to deny any such requests for authorization at his or her sole discretion.

Use of the Premises is nonexclusive and on a first-come basis. If the Premises are fully occupied, Licensee may use the southern docks of the Downtown Harbor or Berth 83 (Alternate Premises, Transmittal 2) as necessary and also on a nonexclusive, first-come basis. The Licensee's use of the Alternate Premises is only permissible when the Premises are fully occupied by other vessels.

The Licensee's vessels may not arrive at or remain at the Premises or Alternate Premises other than during the time each vessel is actively loading or unloading passengers and/or supplies. The Licensee shall remove all trash and debris from the Premises or Alternative Premises and the adjacent areas immediately after each use of the Premises or Alternative Premises.

As part of the RFP's marketing plan section, proposers were asked to provide an outreach and/or marketing plan indicating efforts to promote the LA Waterfront as a tourist destination and increase revenue in the local community. Harbor Breeze proposed the following types of charter tours that will provide 7 percent of gross receipts to the Harbor Department:

- a. harbor tours;
- b. year-round whale watching tours;
- c. sport fishing;
- d. dolphin and sea life tours;
- e. education tours;
- f. private tours;
- g. weddings;
- h. corporate events;
- i. holiday parties;
- j. memorials at sea;
- k. water taxi services; and
- l. Dinner cruises by third-party operators.

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Only sport fishing was not permissible since the Tariff prohibits the transfer of merchandise or matters of objectionable nature such as fresh or decaying fish at the recreational courtesy docks. Harbor Breeze also proposed dinner cruises by third-party boat operators with an offer of 5 percent of gross receipts. These dinner cruises meet the RFP's goal of promoting the LA Waterfront and increasing revenue from this area.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an RP License with Harbor Breeze for commercial charter vessel passenger operations at the Downtown Harbor. As an activity involving issuance of an agreement granting use of a municipal wharf involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(18b) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Harbor Breeze projects that gross receipts from the operations will be approximately \$250,000 for the first year, with the Harbor Department getting 7 percent or \$17,500, and possibly increasing in the subsequent years.

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved the Revocable Permit License as to form and legality.

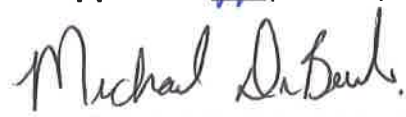
**TRANSMITTALS:**

- 1. Revocable Permit License
- 2. Site Map




MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

FIS Approval: *MB* (Initials)  
CA Approval: *MD* (Initials)



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director