



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MARCH 5, 2019**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ – ORDER RESETTING  
COMPENSATION UNDER PERMIT NO. 905 WITH FISHERMAN'S PRIDE  
PROCESSORS, INC. dba NEPTUNE FOODS**

**SUMMARY:**

Staff requests approval of an Order resetting compensation under Permit No. 905 (P905) with Fisherman's Pride Processors, Inc. dba Neptune Foods, a California Corporation (Neptune) for the five-year period of March 27, 2019 through March 26, 2024. P905 grants Neptune use of 188,220 square feet (s.f.) of land and building, and nonexclusive wharf area on Terminal Island for a term of ten years with two, five-year options to renew.

The current monthly base rent is \$23,968.86, plus percentage rent based upon the amount of fish products and other protein products processed at the facility. Under the compensation reset Order, effective March 27, 2019, Neptune will begin paying monthly base rent of \$62,112.59. Thereafter, the base rent will be adjusted to \$67,759.17 and \$75,288.00 for years 2 and 3, respectively, plus an annual Consumer Price Index (CPI) escalator. Monthly base rent will be subject to a CPI escalator in years 4 and 5. Percentage rent terms will remain unchanged at one-half of one cent (0.005) per pound of fish products loaded across the wharf (wet fish) and one-tenth of one cent (\$0.001) per pound of any other protein product processed and brought into the facility otherwise.

**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 (f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation to Permit No. 905 with Fisherman's Pride Processors, Inc. dba Neptune Foods;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 905; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

**SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 905 WITH FISHERMAN'S PRIDE PROCESSORS, INC. dba NEPTUNE FOODS**

**DISCUSSION:**

Background – P905 was granted to Neptune effective March 27, 2014, for a term of ten years with two, five-year options (maximum term of 20 years). The premises comprise of 188,220 s.f. of Harbor Department property located at 338 Cannery Street in Fish Harbor on Terminal Island (Transmittal 1) for the construction, operation, and maintenance of a seafood processing facility. As required by the terms of P905, the adjustment of rent for the upcoming five-year period of March 27, 2019 through March 26, 2024 is required.

Current Compensation – Neptune's compensation under P905 has three components: base rent, percentage rent, and an annual CPI adjustor. Only the base rent is subject to annual CPI and five-year readjustments. When the permit was granted in 2014, a monthly rent of \$22,000 was negotiated based upon the then market value per s.f. of land at a rate of return of 10 percent on land and 12 percent on improvements. Additionally, a rate of 0.005/pound of wet fish and 0.0001/pound of other proteins is charged. Neptune currently pays a CPI-adjusted monthly base rent of \$23,968.86 with no change in the per pound percentage rate. During Fiscal Year (FY) 2018, Neptune paid aggregate base rent and percentage rent of \$327,757.56.

Proposed Reset of Compensation – Under the proposed Order (Transmittal 2), Neptune's base rent will be:

1. For the period March 27, 2019 through March 26, 2020, the base rent will be \$62,112.59 per month, plus an annual CPI adjustment.
2. For the period March 27, 2020 through March 26, 2021, the base rent will be \$67,759.17 per month, plus an annual CPI adjustment.
3. For the period March 27, 2021 through March 26, 2022, the base rent will be \$75,288.00 per month, plus an annual CPI adjustment.
4. Effective March 27, 2022 and March 27, 2023, base rent will be calculated using an annual CPI increase.

These rates were calculated using a blended rate for land/building/wharf areas. All other components of the compensation, including the percentage rent rates, will remain the same. Under this proposal, base rent plus percentage rent will meet the Board policy rate of return for land and improvements.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an Order resetting compensation, 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 California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 905 WITH FISHERMAN'S PRIDE PROCESSORS, INC. dba NEPTUNE FOODS

**FINANCIAL IMPACT:**

The proposed Order resets compensation paid by Neptune under P905 over the five-year period from March 27, 2019 through March 26, 2024. Effective March 27, 2019, Neptune will begin paying monthly base rent of \$62,112.59. Thereafter, the monthly base rent will be adjusted to \$67,759.17 and \$75,288.00 for years 2 and 3, respectively, plus an annual CPI escalator. Monthly base rent will be subject to a CPI escalator in years 4 and 5. All other components of the compensation, including percentage rent terms, will remain the same. Proposed compensation will meet the Board policy rate of return for land and improvements.

During FY 2018, Neptune paid aggregate base rent and percentage rent of \$327,757.56. If the proposed Order is approved, Year 1 aggregate base rent and percentage rent for the period of March 27, 2019 through March 26, 2020 is estimated to be \$794,639.73, and would represent an increase of \$466,882.17 relative to FY 2018.

**CITY ATTORNEY:**


The Order resetting compensation under Permit No. 905 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

- 1. Site Map
- 2. Order

  
 JACK C. HEDGE  
 Director of Cargo & Industrial Real Estate

FIS Approval: MB  
 CA Approval: CS  
  
 FOR MICHAEL DiBERNARDO  
 Deputy Executive Director

APPROVED:  
  
 EUGENE D. SEROKA  
 Executive Director