



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 5, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - SUCCESSOR PERMIT NO. 917
WITH J DELUCA FISH COMPANY, INC.

SUMMARY:

Staff requests approval of successor Permit No. 917 (P-917) with J Deluca Fish Company, Inc. (J Deluca) for occupancy and use of Stalls 1, 2, 3 and 8 at the San Pedro Municipal Fish Market (Municipal Fish Market). P-917 is a successor term permit to Revocable Permit No. 15-22.

City of Los Angeles Harbor Department (Harbor Department) staff has been in discussions with the Municipal Fish Market tenants for the installation of individual refrigeration units and systems that will replace the 65-year old centralized refrigeration system. This obsolete ammonia-based operating system, which was maintained by the tenants, posed a potential environmental hazard and was expensive to maintain. The centralized system was shut down on April 3, 2017, and each tenant has been responsible for securing their own individual refrigeration systems. This allowed each tenant requiring onsite refrigeration to acquire modern and efficient refrigeration units that meet their individual business needs.

P-917 will facilitate a financial strategy that will allow J Deluca to secure funding necessary to complete the installation of four refrigeration systems, each costing approximately \$120,000.

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 Environment Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Permit No. 917 with J Deluca Fish Company, Inc.;
3. Direct the Board Secretary to transmit Permit No. 917 to City Council for approval pursuant to Charter Section 606 of the City Charter;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 917 upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background - The Municipal Fish Market was built in 1951 at Berth 72 and is a two-story, 12-stall industrial building, with a loading dock and an adjacent common public parking area. On the north side of the building, a 553-square foot shed housing the refrigeration equipment was also built in 1951 by the Harbor Department. Permits (Transmittal 1) at the Municipal Fish Market allow tenants to unload wet fish from commercial fishing boats, process and transport wet-fish products, and conduct sales of fish on a wholesale basis. J Deluca is one of four tenants at the facility and occupies four of the 12 Municipal Fish Market stalls (Transmittal 2).

Staff and tenants collaborated to develop a plan to transition to new refrigeration systems with the objective of shutting down the original refrigeration system. The plan also includes the proposed successor permit with required timelines to permit and complete installation of individual refrigeration systems and a strategy that allowed the obsolete system to be shut down as soon as possible prior to the new systems being completed. All tenants were on track to enter into similar agreements as prescribed in the plan, but because of individual negotiations and business issues, tenants are at different stages of the successor permit process.

Once completed, tenants requiring onsite refrigeration will have individual refrigeration systems, thereby eliminating their collective concerns with the increasing costs associated with maintaining the existing refrigeration system, the potential for system failure, and the resulting environmental hazard that it could create.

Summary of Significant Permit Terms:

Term: The term shall be eight years, with two one-year extension options from the effective date.

Premises: The premises consist of the exclusive use of 20,160 square feet within Stalls 1, 2, 3, & 8, and nonexclusive use of the wharf and loading dock measuring approximately 37,260 square feet.

Use: The premises shall be used for the unloading of wet-fish products from commercial fishing vessels; the processing and loading of wet-fish products; wholesale fish and seafood sales; and storage of materials related to the commercial fishing industry.

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Environmental: The agreement includes environmental compliance requirements for implementation and reporting on best management practices to reduce water runoff and provide strict controls regarding discharge of water into the main channel, as well as other environmental concerns emanating from the permitted uses.

Compensation: Annual rent is \$158,314.08, paid monthly in the amount of \$13,192.84. Rent shall be increased annually by the Consumer Price Index (CPI).

Rent Credit: A monthly rental credit of \$600 per stall is provided for 60 months for the installation of a refrigeration unit. J DeLuca has a refrigeration unit for each of his four stalls and is therefore entitled to a \$2400 per month credit. This credit will assist with the purchase and installation of individual refrigeration systems. This credit is provided to lessen the financial impact to the tenant for the initial capital outlay required to purchase and install the new refrigeration system. In the event the Harbor Department terminates P-917 within the first five years, J Deluca will be entitled to a pro-rated reimbursement for the cost of each individual refrigeration system, not to exceed \$120,000 or a total of \$480,000. Once installed by the tenant, the refrigeration system will become part of the building and ownership will vest with the Harbor Department. In order to qualify for the monthly rental credit or the reimbursement, the tenant must provide proof of the cost of its refrigeration system, including installation.

Use of the subject property as a commercial fish processing business is consistent with the Port Master Plan and State Tidelands Trust, which emphasizes that preference be given to the commercial fishing industry facilities within the Main Channel area where the improvement is located. J Deluca is a tenant in good standing.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of successor Permit No. 917 with J Deluca for occupancy of four stalls at the Municipal Fish Market. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, 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(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Under P-917 (Transmittal 2), the monthly compensation of \$13,192.84 is the same as the current RP No. 15-22. Compensation shall be annually increased by a CPI adjustment, with a floor of 0 percent. Approval of P-917 will result in the Harbor Department receiving \$2,400 less per month for 60 months which represents the rental credit for the Tenant's four refrigeration units, or \$10,792.84 per month. Tenant, at its sole cost and expense, shall maintain and repair the individual refrigeration system for the duration of this agreement.

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CITY ATTORNEY:

P-917 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Permit No. 917
2. Site Map

FIS Approval:  (Initials)
CA Approval:  (Initials)



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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