



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE:** AUGUST 4, 2015

**FROM:** WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT:** ORDER NO. \_\_\_\_\_ - SUBLEASE BY CATALINA CHANNEL EXPRESS, INC. UNDER PERMIT NO. 897 WITH AVALON FREIGHT SERVICES, LLC.

**SUMMARY:**

The proposed Board of Harbor Commissioners Order will allow a one-time sublease of over 20 percent of the permit premises of Catalina Channel Express, Inc. (Catalina Express) to Avalon Freight Services, LLC (AFS). Additionally, the Board Order requests the Board of Harbor Commissioners' (Board) consent to the sublease to AFS for the freight facility servicing Catalina Island.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Approve a one-time sublease of over 20 percent of the premises under Permit No. 897 of Catalina Channel Express, Inc.;
2. Direct the Board Secretary to transmit the Order to the City Council for approval pursuant to Charter Section 606 of the City Charter;
3. Upon approval of the City Council, consent to the sublease to Avalon Freight Services, LLC;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Order upon approval by City Council.
5. Adopt Order No. \_\_\_\_\_.

SUBJECT: SUBLEASE BY CATALINA CHANNEL EXPRESS, INC. UNDER PERMIT NO. 897 TO AVALON FREIGHT SERVICES, LLC.

**DISCUSSION:**

Background and Context – Permit No. 897 was issued to Catalina Express for the premises at Berth 95 (Premises, Transmittal 1) for the construction of a public passenger facility servicing Catalina Island for a 25-year term beginning March 30, 2012. The First Amendment to Permit No. 897 revised the size of the premises and the compensation upon completion of the facility to properly reflect the actual area occupied and the corresponding compensation. The Second Amendment addressed the need to include freight services in the permitted uses; increase the permit premises to accommodate the construction of a two-story facility for warehousing, administrative and call center offices, and accompanying work area and parking needs; and increase compensation accordingly. Catalina Express has requested to enter into a sublease with AFS to provide freight service to Catalina Island.

Staff's recommendation is for the Board to consent to a sublease for approximately 32 percent of Permit No. 897 premises to AFS for the operation of freight services to Catalina Island.

Permit No. 897 includes a procedure to obtain the Board's consent to sublease, which includes the tenant submitting documentation explaining the sublessee entity, ownership type, operation, form and terms of sublease, business plan and financial standing. Section 13.4 of Permit No. 897 prohibits subleases of more than 20 percent of the premises.

Consent to Sublease – Staff reviewed the documents submitted by Catalina Express related to AFS's ownership, business operation, financial capabilities and the sublease's adherence to Permit No. 897 and found the documentation acceptable to allow for consent to the proposed sublease. AFS is comprised of Greg and Tim Bombard (owners of Catalina Express) and Harley Franco (owner of Harley Marine Services, Inc.). Both, Catalina Express and Harley Marine Services, are long-time City of Los Angeles Harbor Department tenants in good standing. The proposed operation provides important freight services to users of Catalina, and the sublease is compliant with the terms of Permit 897. Therefore, staff recommends that the Board consent to the sublease to AFS.

One-Time Sublease in Excess of 20 Percent of the Premises – The premises under Permit No. 897 consists of 113,094 square feet (s.f.) of submerged land areas and 123,153 s.f. of land, with an option parcel measuring 7,136 sf. The area to be subleased to AFS consists of approximately 7,500 s.f. of the 19,984 s.f. two-story building, which includes the warehouse area on the ground floor, a small office, and nonexclusive use of the common areas such as the lobby, restrooms, and walkways. AFS will also have nonexclusive use of exterior paved areas for their operations measuring 51,672 s.f. and 33,951 s.f. of land and submerged land, respectively. AFS's sublease represents approximately 32 percent of the Catalina's total premises.

Subleases are allowed in Permit No. 897, but only if it is not in excess of 20 percent of the total Permit premises. As such, staff seeks approval of the one-time sublease of approximately 32 percent of Permit No. 897 premises and the Board's consent to the sublease with AFS.

SUBJECT: SUBLEASE BY CATALINA CHANNEL EXPRESS, INC. UNDER PERMIT NO. 897 TO AVALON FREIGHT SERVICES, LLC.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is to sublease a portion of the Permit No. 897 premises to AFS. The environmental impacts of the underlying project were assessed in the Avalon Freight Services Relocation Project Final Initial Study/Negative Declaration, which was prepared in accordance with the California Environmental Quality Act (CEQA) and adopted by the Board on January 22, 2015. Therefore, as an activity for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of CEQA, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

This Board action will have no direct employment effect in the five-county region.

**FINANCIAL IMPACT:**

The areas that are to be sublet to AFS are within Catalina Express's current leasehold. As such, the sublease to AFS will not change the current compensation paid by Catalina Express.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the Order (Transmittal 2) consenting to sublease as to form and legality.

**TRANSMITTALS:**

- 1. Site Map
- 2. Board Order



MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

FIS Approval: MB (initials)  
CA Approval: gvc (initials)



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



*FOR* EUGENE D. SEROKA  
Executive Director