



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: APRIL 12, 2023

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - ORDER CONSENTING TO THE TRANSFER OF MAJORITY SHARES (CONTROL) OF FRS CAPITAL CORP. (UPSTREAM PARENT OF SSA PACIFIC, INC. - PERMIT NO. 907) TO BLACKSTONE INFRASTRUCTURE PARTNERS, L.P.

SUMMARY:

Staff requests approval of the proposed Order consenting to the transfer of a majority of the shares (control) of FRS Capital Corp. (FRS) from the current shareholder to Blackstone Infrastructure Partners, L.P. (Blackstone). Blackstone owns FRS through various affiliated companies and FRS indirectly owns 100 percent of the outstanding equity interest of City of Los Angeles Harbor Department (Harbor Department) tenant, SSA Pacific, Inc. (SSA) and the leasehold interest in Permit No. 907. This transfer of the majority shares and controlling interest of FRS and ultimately SSA to Blackstone results in Blackstone owning 75.5 percent of the outstanding shares in FRS. This transfer does not affect any other leasehold under the control of the Harbor Department. This request to consent was not presented earlier due to various delays in receiving pertinent information related to the transaction and limited staffing resources that was caused by the Covid-19 Pandemic.

In a separate action, staff will request approval to extend Permit No. 907 with SSA for five years, with mutual options for another five years.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed actions are administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order consenting to the transfer of majority shares (control) of FRS Capital Corp. from the current shareholder to Blackstone Infrastructure Partners, L.P.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Order consenting to the transfer of majority shares (control) of FRS Capital Corp. from the current shareholder to Blackstone Infrastructure Partners, L.P.; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER CONSENTING TO THE TRANSFER OF CONTROL OF FRS TO BLACKSTONE INFRASTRUCTURE PARTNERS, L.P.

DISCUSSION:

Background – Currently, the Permittee under Permit No. 907 is SSA Pacific, Inc. for property located at Berths 53-55, San Pedro (Transmittal 1). On October 13, 2021, SSA requested that the Harbor Department consent to the transfer of a majority of the shares (control) of FRS to Blackstone. FRS indirectly owns 100 percent of the outstanding equity interest of SSA Pacific, Inc., and prior to the transfer of shares, Blackstone owned 24.5 percent of FRS. After the transfer of shares, Blackstone would own 75.5 percent of FRS and ultimately an indirect majority interest in SSA Pacific, Inc.

Permit 907, Section 13.1, requires the written consent of the Board to transfer control of the tenant or control of any entity that directly controls the tenant. Section 13.2.1 states that the transfer of any entity that directly or indirectly controls the tenant shall constitute a transfer. The transfer of the majority of the outstanding shares of capital stock of FRS, meets the change in control requirement of the transfer provision.

The letter dated October 13, 2021, meets the Section 13.3 requirement of the tenant to provide written notice of transfer (Transmittal 2). SSA's notice generally provides sufficient details required in Transfer Notice, Section 13.3.1.

There will be no Assignment Fee, as the transfer of the control of the "parent" company does not meet the Assignment Fee criteria, as "Assignment" means the transfer, or assignment of the (Permit) Agreement, in whole or in part, in any manner including without limitation the involvement of Tenant or its assets in any transaction, or series of transactions". SSA's permit is not being transferred, only the control of the upstream "parent" entity.

Section 13.4 of Permit No. 907 outlines the factors germane to the Harbor Department's consent to the transfer of control of SSA (Transmittal 3). The Financial Planning & Analysis Division (FPA) has reviewed the finances of SSA and Blackstone. Based on the information provided in the transfer notice, financial records, and other information previously reviewed during the due diligence process, FPA has determined that Blackstone demonstrated the requisite experience, financial strength, and ability to assume control of FRS without reduction of the financial strength of SSA. The transfer of control of FRS will have no impact on the continued operation of SSA at the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the proposed Order consenting to the transfer of majority shares (control) of FRS Capital Corp. from the current shareholder to Blackstone Infrastructure Partners, L.P., which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

SUBJECT: ORDER CONSENTING TO THE TRANSFER OF CONTROL OF FRS TO BLACKSTONE INFRASTRUCTURE PARTNERS, L.P.

FINANCIAL IMPACT:

Approval of the proposed Order (Transmittal 4) consenting to the transfer of majority shares (control) of FRS Capital Corp. from the current shareholder to Blackstone Infrastructure Partners, L.P., will have no impact on SSA’s financial obligations or SSA fulfilling its obligations under the permit. In a separate action, staff will also request approval to extend Permit No. 907 with SSA for five years, with mutual options for another five years. If both actions are approved, SSA will be able to remain in compliance with the terms and conditions laid out in Permit No. 907.

CITY ATTORNEY:

The proposed Order consenting to the transfer control of FRS Capital Corp. from the current shareholder to Blackstone Infrastructure Partners, L.P. has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. Site Map
- 2. Transfer Notices
- 3. FMD Review - Factors Germane To The City’s Consent
- 4. Order

FIS Approval: MB
 CA Approval: SO

Michael J. Galvin
 MICHAEL J. GALVIN
 Director of Waterfront & Commercial Real Estate

Michael DiBernardo
 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:

Marla Bleavins For
 EUGENE D. SEROKA
 Executive Director