THE PORT OF LOS ANGELES

Executive Director's Report to the Board of Harbor Commissioners

DATE: **AUGUST 14, 2025**

FROM: **WATERFRONT & COMMERCIAL REAL ESTATE**

SUBJECT: **RESOLUTION NO. _____ - APPROVE FOURTH AMENDMENT AND COMPENSATION RESET TO PERMIT NO. 897 WITH CATALINA CHANNEL EXPRESS, INC.**

SUMMARY:

Staff requests approval of the Fourth Amendment and an Order resetting compensation under Permit No. 897 (P897) with Catalina Channel Express, Inc. (CCE). P897 grants CCE use of 276,264 square feet (s.f.) of City of Los Angeles Harbor Department (Harbor Department) property. P897 is a 25-year permit effective March 30, 2012, through March 29, 2037, for operation of passenger and freight services to and from Catalina Island.

The proposed Compensation Reset Order is for the period of July 25, 2024, through July 24, 2029. The proposed fixed minimum rent will be $644,052 per year ($53,671 per month). Currently, annual rent is $497,596. Additionally, at the end of each Compensation Year, CCE will pay Percentage Rent equal to five percent (5%) of Gross Receipts that exceed the fixed minimum rent and two percent (2%) of Gross Receipts that exceed the fixed minimum rent arising from or related to any freight operations. The proposed increase in fixed minimum rent effective July 25, 2024, equates to a 29 percent increase from the current rates.

The proposed Fourth Amendment would be retroactive to July 25, 2023, and amend language in Section 5 of P897 defining Compensation Years and outlining requirements for Percentage Rent Compensation.

SUBJECT: FOURTH AMENDMENT AND COMPENSATION RESET TO PERMIT NO. 897 WITH CATALINA CHANNEL EXPRESS, INC.

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 and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines;

2. Approve the proposed Fourth Amendment to Permit No. 897 with Catalina Channel Express, Inc. retroactive to July 25, 2023;

3. Approve the Order resetting compensation for the five-year period retroactive to July 25, 2024, through July 24, 2029, under Permit No. 897;

4. Direct the Board Secretary to transmit the Fourth Amendment to Permit No. 897 to the City Council for approval pursuant to Charter Section 606 of the City Charter;

5. Authorize the Executive Director to execute and the Board Secretary to attest to the Fourth Amendment to Permit No. 897 upon approval by City Council;

6. Authorize the Executive Director to execute and the Board Secretary to attest to the Order resetting compensation under Permit No. 897; and

7. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – P897 became effective on March 30, 2012 for a 25-year term and grants CCE use of 276,264 s.f. of Harbor Department property, consisting of 110,571 s.f. of land, 113,094 s.f. of submerged land, and 52,599 s.f. of CalTrans easement-encumbered land located at Berth 95. CCE has operated a passenger ferry to Catalina Island since 1981. CCE was originally located at Berth 96 under Permit No. 768, which was placed on holdover in 2005 while the Harbor Department assessed plans for expanding China Shipping's premises. In 2012, the China Shipping expansion of Berth 100 required Catalina's relocation and redevelopment of their facility into premises at Berth 95. Under P897, CCE was responsible for building all improvements at the new location, with final premises area and other terms to be determined after construction was completed. The Second Amendment, effective May 13, 2015, expanded the premises for freight services and the construction of a two-story warehouse and administrative office.

Fourth Amendment – The Second Amendment of P897 outlined that CCE would start paying percentage rent effective July 25, 2023. However, due to the ongoing compensation reset negotiations, CCE has not paid percentage rent for 2023 or 2024. The Fourth Amendment will resolve this by requiring CCE to pay retroactive percentage rent for 2023 and 2024 pursuant to the terms outlined in the proposed Fourth Amendment.

Summary of Significant Fourth Amendment Terms, operative as of July 25, 2023:

Term	Description
Compensation Year	• Defined to mean a period of twelve (12) consecutive calendar months commencing on January 1 and every twelve-month period thereafter
Percentage Rent	• CCE shall pay to the City annually, within 30 days following the end of each Compensation Year, Percentage Compensation equal to five percent (5%) of Gross Receipts (Parcels 1-7) that exceeds the Fixed Minimum Compensation on an annual basis. • Additionally, CCE shall pay to the City annually, within 30 days following the end of each Compensation Year, Percentage Compensation equal to two percent (2%) of Gross Receipts (Parcels 9A, 9B and 11) arising from or related to any freight operations conducted on the Premises that exceeds the Fixed Minimum Compensation
Percentage Rent Compensation	• Due and payable within the thirty (30) days following the end of the preceding Compensation Year
Holdover Percentage Rent	• Percentage compensation for any month-to-month tenancy beyond the term of this Agreement shall be paid in the same manner as if the term of this Agreement had commenced with the first day of such holdover. In the event of a holdover, CCE shall pay Percentage Compensation annually

Current Compensation and Proposed Compensation:

Under the proposed Order, the negotiated annual fixed minimum rent is calculated based upon a starting land value of $50.00 per s.f. and a 10 percent annual rate of return on land prior to discounts and impairments related to the land type (surface or submerged) and use limitations. The proposed fixed minimum rent will be $644,052 per year ($53,671 per month). A 25% discount was applied to parcels that would be subject to Gross Receipts participation, a 25% discount was applied to parcels that are under non-exclusive use, and a 50% discount was applied to parcels that are subject to CalTrans easements.

ENVIRONMENTAL ASSESSMENT: (note CEQA has been completed on this)

The proposed action is approval of the Fourth Amendment and an Order Resetting Compensation for P897 with CCE, which is an administrative activity and the amendment of any permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of this Order setting compensation under Permit No. 897 for the five-year period of July 25, 2024, through July 24, 2029, will increase compensation to $644,052 per year ($53,671 per month), an increase of $146,456 per year from current rent of $497,596 per year.

CITY ATTORNEY:

The Fourth Amendment and Order Resetting Compensation has been reviewed and approved as to form and legality by the Office of the City Attorney.

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TRANSMITTALS:

1. Fourth Amendment
2. Order

FIS Approval: ____(initials)
CA Approval: ____(initials)

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