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RECOMMENDATION APPROVED AND
RESOLUTION NO'S. 16-7957 ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS



June 16, 2016

Amber M. Klesges
AMBER M. KLESGES
Board Secretary

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 31, 2016
FROM: CARGO & INDUSTRIAL REAL ESTATE
SUBJECT: RESOLUTION NO. 16-7957 - PROPOSED EIGHTH AMENDMENT TO PERMIT NO. 733 WITH EAGLE MARINE SERVICES, LTD. FOR CREDIT RELATED TO THE CMA-CGM BENJAMIN FRANKLIN

SUMMARY:

Staff requests approval of the proposed Eighth Amendment to Permit No. 733 with Eagle Marine Services. LTD. (EMS) to provide a one-time credit to EMS in the amount of \$99,354 to be applied toward rent due and payable for the month immediately following the month in which the amendment becomes effective.

After a successful vessel call at Pier 400 at Port of Los Angeles (Port), the 18,000 Twenty-foot Equivalent Unit (TEU) container vessel CMA-CGM *Benjamin Franklin* (*Benjamin Franklin*) made her first call at the EMS container terminal Pier 300 on April 22, 2016. As a result of this call, incremental revenue in the amount of \$612,177 was generated. CMA-CGM, an invitee of EMS, has requested the City of Los Angeles Harbor Department (Harbor Department) to assist them with deferring the cost of bringing the *Benjamin Franklin* to the Port. To accommodate this request, staff requests providing a one-time \$29.00 per loaded container cost reduction on all CMA-CGM (and affiliated companies) containers moved during this single call. The amount of this reduction to the Harbor Department is \$99,354.

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 Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Eighth Amendment to Permit No. 733 with Eagle Marine Services, LTD.;
3. Direct the Board Secretary to transmit the Eighth Amendment to the City Council for approval pursuant to Charter Section 606 of the City Charter;

SUBJECT: EIGHTH AMENDMENT TO PERMIT NO. 733 WITH EAGLE MARINE SERVICES, LTD.

4. Authorize the Executive Director to execute and the Board Secretary to attest to the Eighth Amendment upon approval by City Council; and
5. Adopt Resolution No. 16-7957

DISCUSSION:

Background/Context – Permit No. 733 was granted for a 30-year term, ending on December 31, 2026. EMS is the terminal operating entity of shipping line American President Lines (APL).

Currently, container vessels are generally segregated into seven size categories, ranging from “feeder vessels” at the small end of the range and “ultra-large container vessels” or “ULCVs” at the largest end of the range. ULCVs are those vessels with capacity to carry 14,501 TEUs or more. As part of these mega ships, CMA-CGM recently took delivery of the *Benjamin Franklin* which is currently one of the largest ULCVs in the world, capable of carrying up to 18,000 TEUs. This call was a test of Pier 300 as a potential site to handle vessels of this size.

The Harbor Department again garnered significant value from the *Benjamin Franklin's* call in the form of a unique, real-time ability to demonstrate to the shipping lines and vessel sharing alliances that populate the sector providing 80 percent of the Harbor Department's revenue that its tenants, facilities (Pier 400 and Pier 300), and the other key stakeholders in the labor, infrastructure and supply chain communities are capable of delivering in the most cutting-edge, demanding and logistically challenging of circumstances. This capability is anticipated to favorably factor into the routing decisions of such vessel lines and alliances.

As a result of this call, incremental revenue in the amount of \$612,177 was generated. CMA-CGM has requested the Harbor Department to assist them with deferring the cost of bringing the *Benjamin Franklin* to the Port for this test. To accommodate this request, staff recommends providing a \$29.00 per loaded container cost reduction on all CMA-CGM (and affiliated companies) containers. The cost of this revenue reduction to the Harbor Department is \$99,354.

While there is nothing that obligates the Harbor Department to render a credit to EMS, the Harbor Department received significant value from the *Benjamin Franklin's* call, which would have not occurred if CMA-CGM brought the vessel to the Port of Long Beach, which is currently their port of call.

Staff recommends that the Board approve the Eighth Amendment to Permit No. 733 (Transmittal 2), which would apply a one-time credit of \$99,354 to EMS's compensation obligations under Permit No. 733.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Eighth Amendment to Permit No. 733 with EMS to provide a one-time rent credit to assist with costs associated with the *Benjamin Franklin's* call at the terminal, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The incremental containerized cargo moved through the Port of 3,426 loaded containers (6,432 TEUs) generated incremental revenue to the Harbor Department of \$612,177. The cost of this one-time rent credit to EMS related to the *Benjamin Franklin's* call at the Port is \$99,354, resulting in a net gain of \$512,823. On a TEU basis, the revenue reduction is \$15.45 per TEU.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Eighth Amendment as to form and legality.

TRANSMITTALS:

1. Site Map
2. Eighth Amendment


JACK C. HEDGE
Director of Cargo & Industrial Real Estate

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


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

ES:MD:JH:ST:raw
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