File #: HD-19-033, Version: 1

DATE: 1/14/2019

TO: Board of Harbor Commissioners

FROM: Eamonn Killeen, Director of Real Estate

SUBJECT: SA Recycling LLC
        Eighth Amendment to Lease HD-5095

Executive Summary
SA Recycling LLC (SA) occupies approximately 16.43 acres of land and 2.47 acres of adjacent water area at Berths 118-119 on Pier T located at 483 Pier T Avenue in Long Beach under Lease HD-5095 (Lease) for the operation of recyclable steel, recyclable non-ferrous metals, finished steel import, iron ore export facility, and a woodchip transloading facility. The Lease commenced on November 14, 1994, and has a term of 25 years, which will expire on November 13, 2019.

The term will be extended, and the compensation increased by this amendment. In consideration thereof, this item requests the Board of Harbor Commissioners approve an Eighth Amendment to Lease HD-5095 to modify the term and compensation schedule, address maintenance repair, include environmental covenants, and update insurance requirements and certain lease provisions.

Key Points
- The proposed amendment will extend the term of the Lease an additional five years, expiring November 13, 2024.
- The annual base rent will be as follows: retroactive to November 14, 2017, the rate is $4,416,806; retroactive to November 14, 2018, the rate is $4,505,142. Beginning on November 14, 2019, the rent will increase to $4,865,000. Thereafter, the base rent will be subject to annual Consumer Price Index (CPI) increases beginning on November 14, 2020.
- Environmental covenants will be included in the proposed amendment.
- Insurance requirements have been modified.
- Updated the lease boilerplate to include changes to the environmental compliance, books and records, rent and insurance renegotiation language.
- The Port’s Maintenance Division will repair and/or remove navigational hazards at the Premises, and address current safety issues for which SA will be responsible for a portion of the costs.
- Prior to the expiration of the Lease, SA shall remedy all deficiencies related to the fender frame and fenders, and additional wharf deficiencies identified in current and future reports.
- All other salient terms and conditions of the lease will remain in effect.

Recommendation
This item requests the Board of Harbor Commissioners approve an Eighth Amendment to Lease HD-5095 with SA Recycling LLC, which extends the term to November 13, 2024, and modifies certain terms of the Lease
located at 482 Pier T Avenue in Long Beach, frequently described as Berths 118-119 at Pier T, make the determination that the action is categorically exempt pursuant to the California Environmental Quality Act, and adopt the authorizing Ordinance.

Financial Impact
The base rent will increase approximately $360,000 annually beginning November 14, 2019, and the rent will be subject to annual Consumer Price Index (CPI) increases beginning November 2020.

Background
The Port entered into the Lease, originally with SA’s predecessor, Hiuka America Corporation in 1994. In December 1996, the Lease was assigned to Pacific Coast Recycling, LLC and then in January 2014, it was assigned to SA. The Lease commenced on November 14, 1994, and has a term of 25 years, which expires on November 13, 2019. The premises covered in the Lease includes approximately 16.43 acres of land and 2.47 acres of adjacent water area at Berths 118-119 on Pier T located at 483 Pier T Avenue in Long Beach for the operation of recyclable steel, recyclable non-ferrous metals, finished steel import, iron ore export facility, and a woodchip product transloading facility.

Detailed Discussion of Current Issues
SA requested an extension to their lease in order to attract additional business opportunities. The proposed amendment will extend the term an additional five years, expiring on November 13, 2024. The current lease established the base rent until November 13, 2019. The base rent will progressively increase as shown below. In addition, this amendment will require SA to incorporate environmental covenants into the Lease, update insurance requirements, address maintenance repairs, and update lease boilerplate language as follows:

Insurance Requirements:  Attached to the Lease as Exhibit D
- Commercial General Liability - $5,000,000 per occurrence; $10,000,000 (general aggregate)
- Business Automobile Insurance - $1,000,000
- Pollution Legal Liability Insurance - $1,000,000 per claim; $1,000,000 (general aggregate)
  Watercraft Liability - $5,000,000 each occurrence
  o Water Pollution Liability
- Workers’ Compensation and Employer’s Liability Insurance - $1,000,000 per accident plus U.S. Longshore and Harbor Workers’ Act

Environmental Covenants:  Attached to the Lease as Exhibit F
- Stormwater Pollution Prevention Program
- Maintenance Area Compliance
- Hazardous Substances, Materials or Wastes
- Vessel Low Sulfur Fuel
- Vessel Emissions Reductions
- Vessel IMO Compliance
- Reporting
- Self-Propelled Off-road Equipment
LEED Requirements
Efficiency Improvements and Emission Reductions
Indirect GHG Emission Mitigation
Emission Reduction Controls/Clean Technology Demonstrations

Maintenance Repair:
SA will be responsible for 50% of the costs associated with the repair and/or removal of navigational hazards and address safety issues estimated at $7,500. SA will also be responsible for the cost of replacing safety ladders estimated at $8,300. Prior to the expiration of the Lease, SA shall remedy all deficiencies related to the fender frame and fenders as described in the SA Recycling Fender Inspection Report dated October 4, 2018, which was delivered to SA, and additional wharf deficiencies identified in the Preventative Maintenance Inspection Report dated May 31, 2018, which was delivered to SA, as well as any and all deficiencies identified in future inspection reports.

Compensation:

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<tr>
<th>Effective Date</th>
<th>Annual Base Rent</th>
<th>Additional Rent Increases</th>
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<td>$4,416,806</td>
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