



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Executive Director to Execute a Third Supplemental Agreement to the Lease with Pacific Layberthing South, LLC, for Water and Land Area at Berth 68, to Extend the Maximum Term by Six Months through April 30, 2026, Resulting in Additional Revenue of \$285,075; and Find that the Proposed Action is Exempt Under the California Environmental Quality Act.

Submitted By: Bryan Brandes, Maritime Director; Kristi McKenney, Executive Director

Parties Involved:

Pacific Layberthing South, LLC
Jacksonville, FL
Bill Burgstiner, President

Amount:

\$285,075 (Operating Revenue)
\$285,075 (Budget)

EXECUTIVE SUMMARY: The Port of Oakland ("Port") currently leases water and land at Howard Terminal (Berth 68) to Pacific Layberthing South, LLC ("PLS") for the purposes of laying up (i.e., extended berthing) of the Military Sealift Command ("MSC") vessel USNS John Glenn. The lease expires October 31, 2025. Port Staff and PLS have negotiated a Third Supplemental Agreement to extend the maximum term of the lease by an additional six months through April 30, 2026.

BACKGROUND & ANALYSIS

The United States ("U.S.") Navy MSC owns and operates several vessels that are placed into service on an as-needed basis to support the needs of the Federal Government. When these vessels are not actively in service, they are typically laid up in various ports throughout the U.S. where they are maintained in an operational status so they can be deployed upon short notice.

Since the late 1980's, PLS and its affiliates have been in the business of providing berthing space and services to lay up vessels for MSC (and other entities) in port complexes throughout the U.S., including the Port. The Port and PLS executed a long-term lease effective March 1, 2021, for layberthing of the USNS John Glenn at Berth 68. The lease has been amended twice and the current key terms are as follows:

- **Premises.** Approximately 930 linear feet of dock space; 119,040 square feet of water area; and 57,660 square feet of adjacent yard space at Howard Terminal, Berth 68.
- **Use of Premises.** Layberthing of the USNS John Glenn.
- **Term.** Expires October 31, 2025.
- **Early Termination.** PLS can terminate the lease with 60 days' advance notice in the event the Federal Government terminates its lease with PLS. The Port does not have a termination right.
- **Compensation.** Fixed monthly rent of \$1,500 per day (\$547,500 annualized).
- **Performance Deposit.** Two months' rent (\$90,000).

- **Improvements, Maintenance and Utilities.** PLS is responsible for the cost, installation, and maintenance of all improvements at Berth 68, and must remove its improvements at the end of the lease term. PLS is also responsible for paying for all utility costs including shore power.

Recently, PLS approached the Port advising the Federal Government had requested a term extension to the lease. The Port and PLS have negotiated a Third Supplemental Agreement to the lease that provides the following changes to key terms:

- **Term.** One, 6-month extension effective November 1, 2025; expiration on on April 30, 2026.
- **Compensation.** Fixed monthly rent will increase five (5) percent to \$1,575 per day, or \$285,075 for the proposed 6-month extension.
- **Performance Deposit.** Remains equal to two months' rent (\$94,500).

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- ☒ Categorically exempt under the following CEQA Guidelines Section:
15301 (Existing Facilities)
- ☐ "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).
- ☒ Other/Notes: Amending leases for existing tenants to continue their current business operations meets the criteria for this exemption.

BUDGET

- ☐ Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR
 - ☒ Operating ☐ Non-Operating ☐ Capital

Analysis: The proposed Third Supplemental Agreement to the lease with PLS will result in revenue of \$1,575 per day, or \$285,075 during the proposed 6-month extension. Revenue from the proposed term extension is included in the adopted FY 2026 Maritime Division operating revenue budget.

STAFFING

☒ No Anticipated Staffing Impact.

☐ Anticipated Change to Budgeted Headcount.

Reason:

☐ Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

**MARITIME AND AVIATION PROJECT
LABOR AGREEMENT (MAPLA):**

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

☐ Additional Notes:

LIVING WAGE (City Charter § 728):

Applies?

No (Not Covered Entity) – proposed action involves entity not covered by Living Wage requirements because it is not a covered service provider or tenant, does not employ at least 21 employees, or receive from or pay to Port at least \$50,000.

☐ Additional Notes:

SUSTAINABLE OPPORTUNITIES:

Applies? Yes.

Reason: The USNS John Glenn will use shore power while at berth; the proposed Third Supplemental Agreement to the lease incorporates the latest form of Environmental Exhibit.

GENERAL PLAN (City Charter § 727):

Conformity Determination:

Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.

STRATEGIC PLAN. The proposed action would help the Port achieve the following goal(s) in the Port's Strategic Plan:

☒ Capture Our Market and Grow the Economic Base

☐ Modernize and Upgrade Infrastructure

☐ Transition to Zero-Emissions and Build Climate Resilience

☒ Maximize Land Use Value and Revenues

☐ Workforce Training and Jobs Development

☐ Create Opportunities for Local Businesses and Community Economic Development