



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Executive Director to Execute a Fourth Supplemental Agreement to the Lease with Pacific Layberthing South, LLC, for Water and Land Area at Berth 68, to Extend the Maximum Term by One Year through April 30, 2027, Resulting in Additional Revenue of \$583,382; 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: \$583,382 (Operating Revenue)

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 USNS John Glenn. The lease expires April 30, 2026. The lease has included and continues to include the requirement for shore power. Port Staff and PLS have negotiated a Fourth Supplemental Agreement to extend the maximum term of the lease by one year through April 30, 2027.

BACKGROUND & ANALYSIS

The United States (U.S.) Navy Military Sealift Command (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 as needed.

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 previously been amended three times, 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 April 30, 2026.
- **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 \$1,575 per day (\$574,875 annualized).
- **Performance Deposit.** Two months' rent (\$94,500).
- **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 has requested a term extension to the lease. The Port and PLS have negotiated a Fourth Supplemental Agreement to the lease that provides the following changes to key terms:

- **Term.** One, one-year extension effective May 1, 2026, expiring April 30, 2027.
- **Compensation.** Fixed rent for the first six months of the extended term is unchanged (\$1,575 per day) from monthly rent as of April 30, 2026. Effective October 1, 2026, fixed rent increases approximately 3% to \$1,622 per day for the remaining six months of the extended term.
- **Performance Deposit.** Remains equal to two months' rent and will increase to \$97,320 on October 1, 2026.

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 Fourth Supplemental Agreement to the lease with PLS will result in revenue of \$583,382 during the proposed one-year extension. The FY 2026 portion of this revenue (\$143,325) is already included in the adopted FY 2026 Maritime Division operating revenue budget. The FY 2027 portion of this revenue (\$487,142) is included in the preliminary FY 2027 Maritime Division operating revenue budget currently being finalized; however, it falls short of the approximate \$603,477 of revenue assumed for this tenancy. Therefore, to the extent the subject tenancy does not extend past April 30, 2027, and all other tenancy revenues are exactly as budgeted, there will be a shortfall to budget of approximately \$116,335. The Maritime Division expects to absorb this shortfall if it is realized.

STAFFING

- No Anticipated Staffing Impact.
- Anticipated Change to Budgeted Headcount.
Reason:
- Other Anticipated Staffing Impact (e.g., Temp Help).
Reason:

<p><u>MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):</u></p> <p><u>Applies?</u> 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.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>	<p><u>LIVING WAGE</u> (City Charter § 728):</p> <p><u>Applies?</u></p> <p>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.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>
<p><u>SUSTAINABLE OPPORTUNITIES:</u></p> <p><u>Applies?</u> Yes.</p> <p><u>Reason:</u> The USNS John Glenn will use shore power while at berth; the proposed Fourth Supplemental Agreement to the lease incorporates the latest form of Environmental Exhibit.</p>	<p><u>GENERAL PLAN</u> (City Charter § 727):</p> <p><u>Conformity Determination:</u></p> <p>Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.</p>
<p><u>STRATEGIC PLAN.</u> The proposed action would help the Port achieve the following goal(s) in the Port’s Strategic Plan:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base <input type="checkbox"/> Modernize and Upgrade Infrastructure <input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience <input checked="" type="checkbox"/> Maximize Land Use Value and Revenues <input type="checkbox"/> Workforce Training and Jobs Development <input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development 	