

## AGENDA REPORT

**Ordinance:** Authorize the Executive Director to: (1) Extend the Lease with SSA Terminals (Oakland), LLC for an approximate 14-Acre Parcel in the Roundhouse Area, through December 31, 2018, at a Higher Rental Rate resulting in up to \$1.2 million of revenue; and (2) Extend the Temporary Assignment by SSA Terminals, LLC of an Approximate 19-acre Parcel from the Berths 60-63 Marine Terminal to SSA Terminals (Oakland), LLC at the Berths 55-59 Marine Terminal through December 31, 2018, at no additional cost. (Maritime)

**MEETING DATE:** 3/22/2018

**AMOUNT:** Up to approx. \$1.2 million  
Revenue

**PARTIES INVOLVED:** SSA Terminals (Oakland), LLC  
SSA Terminals, LLC

**SUBMITTED BY:** John C. Driscoll, Director of Maritime

**APPROVED BY:** J. Christopher Lytle, Executive Director

**ACTION TYPE:** Ordinance

### **EXECUTIVE SUMMARY**

Since early 2016, when the Outer Harbor Terminal (OHT; Berths 20-26) closed, SSA Terminals (Oakland), LLC has been handling higher cargo throughout at the Oakland International Container Terminal (OICT, Berths 55-59). In April 2016, to help SSA Terminals (Oakland), LLC accommodate higher cargo volume, the Board approved a variety of temporary leasing arrangements related to the OICT, Berths 60-63 Marine Terminal, and the Roundhouse Property. Since that time, the Port of Oakland (Port) and SSA Terminals (Oakland), LLC have been negotiating to convert certain of these temporary leasing arrangements into longer-term agreements. This agenda report requests the Board's authorization to extend short-term leases while longer-term agreements are finalized.

### **BACKGROUND**

The marine terminals comprising Berths 55-56, Berths 57-59, and Berths 60-63 are located contiguously along the Port's Middle Harbor Area. SSA Terminals (Oakland), LLC<sup>1</sup> operates Berths 55-56 and Berths 57-59 for international cargo as a single terminal (the Oakland

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<sup>1</sup> SAT (Oakland), LLC is the subassignee of SSA Terminals, LLC for the Berths 55-59 marine terminal.

International Container Terminal, or OICT) pursuant to two separate lease agreements that both expire on Jun 30, 2022. SSA Terminals, LLC operates Berths 60-63 (the Matson Terminal) for domestic cargo under a lease that will also expire on June 30, 2022. SSA Terminals, LLC and SSA Terminals (Oakland), LLC are both owned by the same parent company and are sometimes referred to collectively as “SSAT”.

In order to efficiently handle additional cargo volume that was redistributed as a result of the closure of the Outer Harbor Terminal (OHT; Berths 20-26) in early 2016, SSAT has been renting approximately 14 acres at the Roundhouse Property, adjacent to the eastern boundary of the Berths 60-63 Marine Terminal. SSAT has also temporarily incorporated approximately 19 acres of certain lands from the Berths 60-63 Marine Terminal into the Berths 55-59 Marine Terminal.

On April 14, 2016, March 23, 2017, and September 14, 2017, the Board approved temporary agreements and has adjusted various rental terms with SSAT for these lands and uses. These agreements will expire on April 15, 2018.

## **ANALYSIS**

For approximately two years, the Port and SSAT have been negotiating various lease amendments for SSAT-leased marine terminal facilities that would make long-term some of the current, temporary leasing arrangements. The lease amendments for the SSAT-leased marine terminal facilities are being finalized by the Parties now, and Staff anticipates presenting these items to the Board for consideration in Spring/Summer 2018. However, because of the April 2018 expiration and the potential for a delay to lease amendments, Staff is now requesting that certain temporary agreements need to be extended and modified to allow smooth business operations to continue. Staff is requesting the Board’s approval of the following two items:

### **1) 14-Acre Roundhouse Parcel (“Additional Matson Terminal Space”) – Extension of Lease**

The Board previously approved a lease with SSAT (Oakland), LLC for approximately 14 acres (Parcel A in the attached Exhibit A), which is functionally incorporated into the Berths 60-63 Marine Terminal operation. SSAT currently has the right to occupy the premises through April 15, 2018 at a negotiated rate of \$0.2117 per square foot per month, for a total of \$125,453 per month. SSAT and the Port are finalizing terms for SSAT, LLC to incorporate this 14-acre parcel into the Berths 60-63 Marine Terminal lease. In the interim, in order for SSAT to continue to occupy the premises beyond April 15, 2018, Staff is requesting an 8.5-month extension of term to the existing Space Assignment through December 31, 2018. Port proposes that SSAT pay the current rate of \$0.2117 per square foot per month through June 30, 2018, and that on July 1, 2018, the monthly rental rate increase to Port Tariff No. 2-A rates (\$0.247 per square foot per month).

### **2) Temporary Assignment of 19-Acrea Parcel at Matson Terminal to OICT – Extension of Temporary Assignment**

SSAT (Oakland), LLC currently utilizes approximately 19 acres of the Matson Terminal (Berths 60-63) as part of the OICT terminal, under a Temporary Assignment. This arrangement is allowed pursuant to Section 18.1 of the lease for the Matson Terminal, dated October 1, 2013, between the Port and SSAT, LLC. The Temporary Assignment does not

modify Minimum Annual Guarantee (MAG) or other compensation provisions of the marine terminal leases. SSAT, LLC pays rent for the Temporary Assignment subject to the marine terminal lease for the Matson Terminal, which provides for an all-inclusive annual rent.

SSAT and the Port are finalizing terms for SSAT, LLC to incorporate this 19-acre parcel into the Berths 57-59 marine terminal lease. In the interim, in order for SSAT to continue to occupy the premises beyond April 15, 2018, Staff is requesting an 8.5-month extension of the Temporary Assignment through December 31, 2018.

If Staff and SSAT are successful in finalizing the terms of lease amendments on the current schedule, the extensions proposed in this report would terminate before December 2018, upon the effective date of the amendments.

### **BUDGET & STAFFING**

If SSAT's occupancy under the proposed terms is in fact through the full 8.5-month term (i.e., through 12/31/18), the proposed actions will result in the estimated revenue shown below. This revenue was included in the Port's FY18 Operating Revenue Budget.

| <b>Rent</b>                         | <b>FY18</b>      | <b>FY19</b>      |
|-------------------------------------|------------------|------------------|
| 14-Acre Roundhouse Space Assignment | \$313,631        | \$878,227        |
| 19-Acre Temporary Assignment*       | \$0              | \$0              |
| <b>Total</b>                        | <b>\$313,631</b> | <b>\$878,227</b> |

\*SSAT pays rent for the Temporary Assignment through the Matson Terminal lease. There is no additional or specific rent associated with the Temporary Assignment.

The proposed action does not have a staffing impact.

### **MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)**

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

### **STRATEGIC PLAN**

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan (<http://www.portofoakland.com/pdf/about/strategicPlan2011-2015.pdf>)

- Goal A: Objective 1: Maximize the use of existing assets.
- Goal B: Objective 1: Retain existing customers and tenants.

### **LIVING WAGE**

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), apply to this agreement as the tenant employs 21 or more employees working on Port-related work and the tenancy agreement is greater than \$50,000.

## **ENVIRONMENTAL**

CEQA Determination: The actions proposed herein are categorically exempt from CEQA pursuant to the Port of Oakland's CEQA Guidelines Section 15301(p), which exempts renewals, extensions, or amendments to leases or license and concession agreements or execution of leases where the premises or licensed activity was previously leased or licensed activity was previously leased or licensed to the same or another person, and involving negligible or no expansion of use beyond that previously existing.

## **GENERAL PLAN**

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

## **OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)**

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

## **OPTIONS**

Staff has identified three options for the Board's consideration:

- 1) Authorize the Executive Director to execute certain agreements as described in this Report. This is the recommended action.
- 2) Direct Staff to modify the terms proposed in this Report, in accordance with direction provided by the Board. These different terms may not be acceptable to SSAT.
- 3) Do not authorize the Executive Director to execute the proposed agreements. Under this option, SSAT will have to vacate the 14-acre Roundhouse parcel by April 15, 2018 and SSAT (Oakland) will have to vacate the 19-acre Temporary Assignment area by April 15, 2018.

## **RECOMMENDATION**

Staff recommends that the Board approve and authorize the Executive Director to take the following actions:

- 1) Extend the lease agreement with SSA Terminals (Oakland), LLC for a 14-acre parcel in the Roundhouse Area through December 31, 2018, as described herein; and,
- 2) Extend the Temporary Assignment by SSAT, LLC of approximately 19 acres of land from the Matson Terminal premises to SSAT (Oakland), LLC to the OICT, through December 31, 2018, as described herein.

**Exhibit A**



**Exhibit B**

