



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 27, 2006

FROM: REAL ESTATE DIVISION

**SUBJECT: PROPOSED PERMIT WITH MAGICAL CRUISE COMPANY, LIMITED
DBA DISNEY CRUISE LINE**

SUMMARY:

The proposed action will grant Magical Cruise Company, Limited, dba Disney Cruise Line, a permit that will grant berthing of cruise ships to embark and disembark passengers and luggage and provide for storing of ships with goods, wares, fuel, and merchandise at Berths 91-93 at Los Angeles World Cruise Center from May 1, 2008 through September 15, 2008.

RECOMMENDATIONS:

It is recommended that the Board of Harbor Commissioners:

1. Adopt the Order authorizing the Executive Director to execute the proposed permit based on the following terms and conditions:

Premises: Nonexclusive preferential or secondary use, as the case may be, of approximately 2,800 lineal feet of wharf and associated water area at Berths 91-93 B.

Compensation: \$285,025 per year, as a minimum total of passenger fees at \$6.25 per passenger, with each passenger counted on embarkation and on disembarkation.

Uses: Berthing and mooring of vessels, embarking and disembarking of passengers and baggage, and distributing, loading and unloading of goods, wares, and merchandise from vessels.

Term: May 1, 2008 through September 15, 2008.

2. Authorize the Executive Director to execute and the Board Secretary to attest to the agreement upon Board approval.

DATE: DECEMBER 27, 2006

PAGE 2 OF 3

FROM: REAL ESTATE DIVISION

**SUBJECT: PROPOSED PERMIT WITH MAGICAL CRUISE COMPANY, LTD. DBA
DISNEY CRUISE LINE**

PREVIOUS BOARD ACTION:

At its meeting of September 15, 2004, the Board of Harbor Commissioners adopted Order 6806 approving short-term Agreement No. 851 with Magical Cruise Company. This Agreement was for the period from May 1, 2005, through September 15, 2005, for the nonexclusive, preferential use of Berth 93A & B and adjacent cruise passenger terminals on Saturdays. The Agreement set a Minimum Passenger Guarantee of \$182,416, based on \$4.00 passenger fee charged upon embarkation and disembarkation.

DISCUSSION:

1. Magical Cruise Company, Limited, dba Disney Cruise Lines (DCL), has operated family-oriented cruises from Port Canaveral, Florida, to the Caribbean and the Bahamas since 1998. DCL proposes to operate a 1,754-passenger vessel from Los Angeles for weeklong sailings to Mexico beginning in May 2008.
2. The term of the proposed agreement with DCL is for the period from May 1, 2008, through September 15, 2008, for the occupancy of Berths 93A & B on nonexclusive, preferential basis. A minimum guarantee of \$285,025 is contained in the Agreement, based on 22,801 passengers at a \$6.25 passenger fee. This fee is to include wharfage, dockages and stores, and is to be assessed on both embarking and disembarking passengers. Additional revenue will accrue from all other Tariff No. 4 charges. A lay-day fee of \$7,500 per ship call, terminal operator charges for gangway operations, and other ship related charges are additional compensation.
3. The Port is committed to balancing its operation as the busiest port in the nation and its responsibility as environmental steward. Alternative Maritime Power (AMP) is one result of this effort to reduce emissions in the harbor. Port engineers are currently designing infrastructure required for the implementation of AMP at the cruise terminal. Construction of the AMP structure will not be completed during the term of this Agreement. DCL has agreed to AMP their vessels on future calls when the AMP infrastructure has been completed and is operational. In the meantime, DCL has agreed to use low sulfur fuel and comply with the vessel speed reduction program.

ENVIRONMENTAL ASSESSMENT:

The Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1 (14) of the Los Angeles City CEQA Guidelines.

DATE: DECEMBER 27, 2006

PAGE 3 OF 3

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FINANCIAL IMPACT:

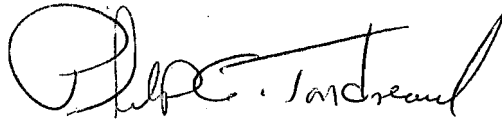
This Agreement guarantees the Port a minimum revenue of \$285,025 from Disney passengers over the 4 ½ month term. In exchange for this guarantee, the Port will discount the Tariff No. 4 passenger fee from \$10.31 to \$6.25. Additionally, charges will be assessed for each vessel's proportionate share of terminal operating expenses, gangway charges, and utility services, as well as a lay-day fee of \$7,500 per ship call per day (the terminal operator collects the lay-day fee to pay for operating expenses and remits to the Port any remaining balance).

CITY ATTORNEY:

The proposed permit and accompanying Order were prepared and approved as to form by the Office of the City Attorney and the permit was accepted by the tenant.

TRANSMITTALS:

1. Proposed Permit
2. Board Order



PHILIP A. TONDREAULT
Director of
Real Estate Division

PAT:smd
BL191smd

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director