



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: SEPTEMBER 3, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 20-15 WITH UNION MOTOR SERVICE TRANSPORT, INC.

SUMMARY:

Staff requests approval of Revocable Permit No. 20-15 (RP 20-15) with Union Motor Service Transport, Inc. (UMS) for a month-to-month term to occupy 47,628 square feet of paved yard space on Vreeland Avenue in Far East Wilmington. UMS will use the site to store trucks and containers on chassis. RP 20-15 will yield \$170,559.18 in revenue to the City of Los Angeles Harbor Department (Harbor Department) in the first year. Average monthly rent of \$14,213.27 in the first year would represent an increase of \$5,711.27 (67.2 percent) relative to the current rent of \$8,502.00 per month paid by UMS under an existing space assignment. Rent will be subject to scheduled rent increases through 2022, and then increased by the greater of two percent or Consumer Price Index (CPI-U), thereafter.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Section 15332 of the State CEQA Guidelines;
2. Approve Revocable Permit No. 20-15 with Union Motor Service Transport Inc.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 20-15; and
4. Adopt Resolution No. _____.

DISCUSSION:

General Background – UMS is a freight transport sector logistics company that provides a wide range of transportation services. Established in 2017, with its main base in Los Angeles, UMS supports efficient cargo operations at the Port of Los Angeles (Port) by providing drayage and container storage services. UMS currently occupies 56,680 square feet of premises in Far East Wilmington under a space assignment (i.e. use agreement governed by Tariff No. 4, which is intended for short-term occupancy). UMS is seeking to continue its operations at the Port at a nearby alternate parcel (Transmittal 1) through the proposed Revocable Permit (Transmittal 2), which is the more appropriate real estate entitlement for its continued occupancy of Harbor Department property.

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Background on Proposed Rates - UMS is currently occupying Harbor Department property entitled under a Space Assignment, which is subject to the rates in Tariff No. 4: \$0.15 per square foot per month (PSFPM) for unpaved land, which is lower than current market rates for comparable locations: approximately \$0.35 PSFPM for paved land. The proposed Revocable Permit addresses the need for a rate increase to better reflect the market, but does so in a step-up fashion, with graduated rent increases to allow UMS time to make budget adjustments.

Material terms of the Revocable Permit are as follows:

Provisions	Description															
Real Estate Entitlement	Revocable Permit															
Permitted Use	Storage of trucks and containers on chassis															
Term	Month-to-Month															
Termination Rights	Either party may terminate with 30 days' written notice															
Effective Date	October 1, 2020															
Premises	Parcel 1: 46,986 SF (Paved Land) Parcel 2: 642 SF (Grade Separation and Retaining Wall Area) See Transmittal 1.															
Initial Monthly Rent	\$13,156.08 per month paid in advance in two-month installments															
Rent Adjustments	Provided the Revocable Permit is not terminated sooner, rent would be adjusted per the schedule below.															
Rate Schedule	<table border="1"> <thead> <tr> <th>Effective Date</th> <th>PSFPM</th> <th>Monthly Rent</th> </tr> </thead> <tbody> <tr> <td>October 1, 2020</td> <td>\$0.28</td> <td>\$13,156.08</td> </tr> <tr> <td>January 1, 2021</td> <td>\$0.31</td> <td>\$14,565.66</td> </tr> <tr> <td>January 1, 2022</td> <td>\$0.35</td> <td>\$16,445.10</td> </tr> <tr> <td>January 1, 2023 and beyond</td> <td>+ 2% or CPI whichever is greater</td> <td></td> </tr> </tbody> </table> <p>Note: Parcel 2 (642 SF) would not be subject to a charge because it is unusable.</p>	Effective Date	PSFPM	Monthly Rent	October 1, 2020	\$0.28	\$13,156.08	January 1, 2021	\$0.31	\$14,565.66	January 1, 2022	\$0.35	\$16,445.10	January 1, 2023 and beyond	+ 2% or CPI whichever is greater	
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Maintenance	Tenant is responsible for maintaining the premises (i.e. Parcels 1 and 2) and all improvements, at its sole cost and expense.
Insurance	Includes all standard insurance provisions and requirements.
Security Deposit	4 months' rent in the form of a letter of credit or cash.

Background on Proposed Project - The proposed project (Project), as referenced below in the Environmental Assessment, is the approval of RP No. 20-15 with UMS for a month-to-month term to develop a vacant lot in an urbanized area in Wilmington, and to operate a chassis/container storage operation on the site. The planned improvements to the existing vacant parking lot located at 1036 Vreeland Avenue, Wilmington, CA involves clearing the parking lot of loose fill and repairing any cracks in asphalt concrete and concrete pavement. UMS' general business operations involve transportation of cargo containers to and from Ports of Los Angeles and Long Beach terminals and other inland locations in Los Angeles County and the Inland Empire, and the storage of cargo containers. A small fleet of four heavy-duty trucks is operated by Union Motor under the Clean Trucks Program, and are registered in the Ports Drayage Truck Registry under Union Motor as a Port of Los Angeles concessionaire. The remainder of heavy-duty trucks that store cargo containers at Union Motor property are owned and operated by independent trucking contractors and other large and small trucking companies.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of Revocable Permit No. 20-15 with UMS for a month-to-month term to develop a vacant lot in an urbanized area in Wilmington, and to operate a Chassis/Container Storage operation on the site. The proposed Project meets the City of Los Angeles conditions for an Infill Project CEQA exemption, including: property in an urbanized area that is less than 5 acres in size; consistent with the General Plan and zoning requirements; has no value as habitat for endangered, rare, or threatened species; would not result in significant effects to traffic, noise, air quality, or water quality; and can adequately be served by all required utilities and public services. Therefore, the Director of Environmental Management has determined that the proposed action is infill development activity that is categorically exempt from the requirements of CEQA in accordance with Section 15332 of the State CEQA Guidelines.

FINANCIAL IMPACT:

The proposed Revocable Permit with UMS is for a month-to-month term to occupy 47,628 square feet of asphalt-paved yard space in Far East Wilmington. RP No. 20-15 would yield \$170,559.18 in revenue to the Harbor Department in Year 1, with scheduled rent step increases incorporated through year 2022. Rent will be subject to annual increases based on the Consumer Price Index (CPI-U), or two percent, whichever is greater, beginning on January 1, 2023 and thereafter.

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Proposed rent of \$170,559.18 in Year 1 would represent an increase of 67.2 percent relative to the annual rent of \$102,024.00 (\$8,502 per month) currently charged under an existing space assignment. Proposed rent of \$191,702.88 in Year 2 would represent an increase of 12.4 percent relative to Year 1.

CITY ATTORNEY:

Revocable Permit No. 20-15 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. Site Map
- 2. Revocable Permit

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