



Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE:** FEBRUARY 28, 2024

**FROM:** CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT:** RESOLUTION NO. \_\_\_\_\_ - APPROVE REVOCABLE PERMIT NO. 24-01 WITH MORTIMER & WALLACE, LLC AND LOS ANGELES HARBOR GRAIN TERMINAL, LLC, AS JOINT TENANTS

**SUMMARY:**

Staff requests approval of Revocable Permit No. 24-01 with Mortimer & Wallace, LLC (Mortimer & Wallace) and Los Angeles Harbor Grain Terminal, LLC (LA Harbor Grain), as joint tenants, concerning the use and occupancy of City of Los Angeles Harbor Department (Harbor Department) property located at 2422 E. Sepulveda Blvd in Los Angeles for purposes of the processing, handling, and storage of bulk agricultural products, petroleum coke, and other incidental purposes. Revocable Permit No. 24-01 would consolidate and serve as the successor to three existing revocable permits with Mortimer & Wallace for the same locations and permitted uses.

Approval of the proposed Revocable Permit will increase monthly rent by \$15,375.55, or 60 percent, from \$25,625.91 currently to \$41,001.46 per month as proposed. Provided that Revocable Permit No. 24-10 is not sooner terminated, effective July 1, 2025, monthly rent will increase to \$59,862.13, effective July 1, 2026, and annually thereafter, monthly rent will increase by the greater of the annual change in the Consumer Price Index (CPI) or three percent.

**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 Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve Revocable Permit No. 24-01 with Mortimer & Wallace, LLC and Los Angeles Harbor Grain Terminal, LLC, as joint tenants;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 24-01; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – Currently, Mortimer & Wallace uses and occupies Harbor Department property to conduct rail-dependent export operations under three separate revocable

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Permits at three locations as noted in the table below. Mortimer & Wallace is the Permittee, but has operated under two brands at these locations: Mortimer & Wallace and LA Harbor Grain.

| <u>Provision</u>           | <u>Current</u><br>Revocable Permit<br><u>No.18-07</u>   | <u>Current</u><br>Revocable Permit<br><u>No.19-16</u>                           | <u>Current</u><br>Revocable Permit<br><u>No. 21-14</u>                              |
|----------------------------|---|---|---|
| Term                       | Month-to-month, subject to termination with 30 days' prior notice.  | Same  | Same  |
| Premises/<br>Permitted Use | 119,407 sq. ft. of paved land for bulk agricultural products and 6,658 sq. ft. of paved land for petroleum coke handling. | 2,990 sq. ft. of paved land for employee parking.                               | 26,840 sq. ft. of paved land for drayage yard.                                      |
| Rent                       | \$15,982.24 per month<br>\$191,786.88 per annum<br>~\$1.52 per square foot per annum                                      | \$822.97 per month<br>\$9,875.64 per annum<br>~\$3.30 per square foot per annum | \$8,820.70 per month<br>\$105,848.40 per annum<br>~\$3.94 per square foot per annum |

Total aggregate rent due at this time under the above-mentioned revocable permits is \$25,625.91 per month.

Pursuant to the terms of the current revocable permits, the Board is required to review the permits in five-year intervals for continuation and/or modification. Revocable Permit No. 18-07 was subject to a five-year review as of September 2023, and Revocable Permits Nos. 19-16 and 21-14 are due for review as of February 2025 and December 2026, respectively. For purposes of administrative efficiency, all three are being reviewed concurrently at this time. As part of this review, the Harbor Department confirms i) whether a tenant is in good standing and ii) assesses the current rental rates for comparable properties to establish what fair market rent is for the premises.

Staff confirmed Mortimer & Wallace is a tenant in good standing; however, it was also determined that current rent due under the three permits does not reflect fair market rental value for the premises. Current market rental values for land in this area of the port complex are within the range of \$4.00 to \$5.00 per sq. ft. per year, depending on each respective comparable site's characteristics.

As such, staff recommends the Board authorize Mortimer & Wallace to continue the use and occupancy of the premises subject to consolidating all permits under a single Revocable Permit and increasing rent to better reflect market rates appropriate for these

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premises. Further, staff recommends that LA Harbor Grain, which is a wholly-owned subsidiary of Mortimer & Wallace, be added as a joint tenant under the new Revocable Permit for added insurance and indemnity coverage.

Below is a summary of the material terms of the proposed Revocable Permit No. 24-01 (Transmittals 1 and 2).

| <u>Provision</u>     | <u>Proposed Permit</u>   |
|----------------------|--|
| Permittees           | Mortimer & Wallace, LLC<br>Los Angeles Harbor Grain Terminal, LLC  |
| Term                 | Month-to-month, subject to termination with 90 days' prior notice by either party.   |
| Premises             | 156,728 sq. ft. of paved land, following a premises survey by engineering that indicated an additional 833 sq. ft. was part of the premises.   |
| Permitted Uses       | No change from uses currently permitted under existing revocable permits: <ul style="list-style-type: none"><li>• processing, handling and storage of bulk agricultural products and petroleum coke;</li><li>• operation of a drayage yard including unstacked storage of chassis, stacked storage of containers of no more than two high, and temporary storage of unloaded tractor trailers; and</li><li>• parking tenant employee automobiles and trucks.</li></ul> |
| Rent/Rent adjustment | See below schedule.  |
| Security Deposit     | Three months' rent, \$123,004.38 prior to effective date, \$179,586.39 by July 1, 2025, and ~\$184,973.97 by July 1, 2026.   |
| Insurance            | Standard insurance requirements, as well as railroad and environmental liability coverage, as approved by Risk Management.   |

Rent would increase from what is in place today for all three revocable permits on a stepped-up basis as follows, provided the Revocable Permit is not sooner terminated.

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Proposed Graduated Rate Schedule:

|                         | Current     | Effective Date (2024) | July 1, 2025 | July 1, 2026                  | Each July 1, thereafter |
|-------------------------|-------------|-----------------------|--------------|-------------------------------|-------------------------|
| Monthly rent            | \$25,625.91 | \$41,001.46           | \$59,862.13  | ~ \$61,657.99<br>(+3% or CPI) | +>3% or CPI             |
| Annualized rate/SF/Year | \$1.97      | \$3.14                | \$4.58       | ~\$4.72<br>(+>3% or CPI)      | +>3% or CPI             |
| % increase              | --          | 60%                   | 46%          | >3% or CPI                    | +>3% or CPI             |

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of Revocable Permit No. 24-01 with Mortimer & Wallace, LLC and Los Angeles Harbor Grain Terminal, LLC for processing, handling, and storage of bulk agricultural products, petroleum coke, and other incidental purposes, which is an activity involving the issuance, renewal or amendment of any lease, license or permit to use an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Revocable Permit will consolidate three existing revocable permits and will increase monthly rent by \$15,375.55, or 60%, from \$25,625.91 currently to \$41,001.46 per month as proposed through June 30, 2025. Provided that Revocable Permit No. 24-01 is not sooner terminated, effective July 1, 2025, monthly rent will increase to \$59,862.13 inclusive of then current CPI, effective July 1, 2026, and annually thereafter, monthly rent will increase by the greater of the annual change in CPI or 3% thereafter.

On the effective date of Revocable Permit No. 24-01, annual rent will be \$492,017.52 under the proposed terms.

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the new Revocable Permit No. 24-01 as to form and legality.

**TRANSMITTALS:**

1. Transmittal Map
2. Revocable Permit No. 24-01

*Marisa L. Katnich*  
MARISA L. KATNICH  
Director, Cargo & Industrial Real Estate

FIS Approval: *MB*  
CA Approval: *JC*

*Michael DiBernardo*  
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APPROVED:

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