



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 20, 2016

FROM: CARGO AND INDUSTRIAL REAL ESTATE

SUBJECT: ORDER NO. _____ - APPROVE THE RESET OF
COMPENSATION UNDER PERMIT NO. 891 WITH DEL MAR
SEAFOODS, INC.

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) staff recommends to the Board of Harbor Commissioners approval of the Order resetting compensation under Permit No. 891 (P891) with Del Mar Seafoods, Inc. (Del Mar). Based upon the requirements of P891, the Harbor Department will exercise the option to extend P891 by five years. This extension is at the sole discretion of the Harbor Department. As a result, it is necessary to reset compensation for the five-year period of June 7, 2016 to June 6, 2021.

Under the compensation reset Order, the current monthly rent of \$2,560 will be adjusted to \$5,271 effective June 7, 2016. Thereafter, the initial base rent will be subject to an annual eight percent increase in order to attain market rent, plus an annual Consumer Price Index (CPI) escalator throughout the five-year term.

RECOMMENDATION:

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Order resetting compensation under Permit No. 891 with Del Mar Seafoods, Inc.;
3. Authorize the Board Secretary to attest to the Order; and
4. Adopt Order No. _____.

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DISCUSSION:

Background/Context – P891 with Del Mar is for a term of five years with three five-year options (maximum term of 20 years) for the use of Harbor Department property on Terminal Island (Transmittal 1) for a wet fish processing operation. Specifically, Del Mar maintains and operates a facility for the purpose of offloading and processing wet fish from commercial fishing vessels and associated water-dependent operations.

Under P891, the premises consist of waterfront land and portions of the wharf for fish pumps at Berth 259. Further, Del Mar was provided with nonexclusive use of wharfs for the unloading of wet fish. All improvements on the premises are owned by Del Mar, and Del Mar is responsible for the operation and maintenance costs of all improvements within its premises.

Pursuant to subsection 3(b) of P891, Term, the Harbor Department has the sole discretion to exercise the five-year option with 90 days' written notice from the Executive Director. Based upon discussions with Del Mar, the Harbor Department has issued a letter to extend the term of P891 by five years.

Compensation Reset Order – Under Subsection 607(b), Compensation Adjustments, of the Los Angeles Charter, the adjustment of rent for the first five-year option period under P891 is required.

Current Compensation – P891 was approved by the Board on January 6, 2011. An initial annual rent of \$28,749 was negotiated based on a \$10 per s.f. annual rental rate, with a 10 percent rate of return and an annual CPI escalator. Del Mar currently pays a CPI-adjusted monthly rent of \$2,506 (base rent).

Currently the market rent for permits on Terminal Island are based on land values that range between \$29 and \$33 per s.f. In recognition that a one-time adjustment to market rent would result in a financial hardship to Del Mar, the initial monthly rent for year one of the five-year option period was set at \$5,271, with annual eight percent increase occurring subsequent years until the initial rent is elevated to within range of then current land values on year five of the reset period.

Proposed Reset of Compensation – Under the proposed Order (Transmittal 2), Del Mar's initial rent during the first year of the option period commencing on June 7, 2016 is \$5,271 per month, based on an annual land value of \$22/s.f. Thereafter, the initial rent will be annually adjusted throughout the five-year period at eight percent increments. Further, the rent will be subject to an annual CPI escalator throughout the term (June 7, 2016 to June 6, 2021).

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under Permit No. 891 with Del Mar, which is an administrative activity. As such, 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 II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed reset of compensation under P891 will result in Del Mar paying an initial monthly rent of \$5,271 to the Harbor Department effective June 7, 2016, with eight percent annual rental increases occurring throughout the five-year term (ending June 6, 2021). In addition, the proposed compensation will be adjusted annually based on CPI.

The proposed reset of compensation under P891 conforms to the Board's adopted rate of return policy of ten percent on an annual land value of \$22/s.f.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Order as to form and legality.


TRANSMITTALS:

- 1. Site Map
- 2. Order


 JACK C. HEDGE
 Director of Cargo Industrial Real Estate

FIS Approval:  (initials)
 CA Approval:  (initials)


 FOR MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:

 EUGENE D. SEROKA
 Executive Director