



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRAURY 16, 2011

FROM: REAL ESTATE DIVISION

**SUBJECT: ORDER NO. _____ - RESETTING COMPENSATION FOR
VARIOUS PERMITS WITH THE CITY OF LOS ANGELES**

SUMMARY:

The Real Estate Division requests approval of compensation resets for Order Nos. 2130, 2680 and 3469 with the City of Los Angeles Board of Public Works for the purpose of construction, maintenance, and operation of sewage pumping facilities and sewer rights-of-way; and Order No. 3290 and Permit No. 473 with the City of Los Angeles General Services Department for construction, maintenance, and operation of fire station facilities (collectively, City Permits). These five-year resets have not occurred since Fiscal Year (FY) 00. Therefore, compensation resets for the City Permits are due for two consecutive five-year reset periods extending from FY 04 through FY 13.

Pursuant to Settlement Agreement 1106 and 1106A, between the City of Los Angeles and the Board of Harbor Commission (Board), the compensation for occupancy of trust lands used for municipal purposes may be adjusted annually based on the Board of Harbor Commission's then current rate of return on the lands and waters and the then fair market value of the lands and waters in 1977.

It is proposed that compensation for the FY 04 through FY 08 and FY 09 through FY 13 remain unchanged from the current compensation levels. Since no change in compensation is proposed, separate compensation reset Orders signed by the Tenant are not required.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the resetting compensation of under Order Nos. 2130, 2680, 3290 with the City of Los Angeles Board of Public Works and Order No. 3469 and Permit No. 473 with the City of Los Angeles General Services Department to maintain the current annual compensation for the period beginning FY 04 and ending FY 13; and

2. Adopt Order No. _____.

DISCUSSION:

Background – In 1977, the City of Los Angeles (City) and the California State Lands Commission agreed (Settlement Agreement 1106) that the Harbor Department would bill the City for trust lands used for general municipal purposes based upon the benefit ratio for general municipal purposes and tidelands purposes. The original breakdown of the allocation and compensation was presented in the aforementioned agreement as Exhibit "C" (attached hereto as Attachment 1).

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Due to the economic and financial conditions over the past several years, it is recommended to maintain current rates consistent with actions taken by the Harbor Department to provide relief to other tenants during the current economic downturn.

Current and Proposed Compensation – The current annual rent for the City Permits is based upon a backland land value of \$12.50/square foot (s.f.) and a waterfront land value of \$14.00/s.f., with a ten percent rate of return (ROR) and a 75 percent discount for subsurface pipeline rights-of-way. It is recommended that the current annual rent for the City Permits, summarized below, be maintained through FY 13:

Order No. 2130 (sewage pumping plant):	\$4,575
Order No. 2680 (sewer rights-of-way):	\$6,842
Order No. 3290 (Fire Station 49):	\$12,211
Order No. 3469 (sewage pumping plant):	\$7,586
Permit No. 473 (Fire station 40):	\$52,180

The current land rental rates are not inconsistent with rental rates charged by the Harbor Department for commercial properties during the period of 2000-2009. Further, although the Harbor Department recently initiated use of a 50 percent subsurface discount for new permits, for permits where the 75 percent discount was employed to establish the original permit compensation, the Harbor Department has maintained that discount rate in establishing subsequent compensation resets. The recommendation to maintain the current 75 percent subsurface discount is consistent with that practice.

It should be noted that Permit No. 473 expired in August 2003 and has been on holdover since that time. Permit No. 473 will be maintained on holdover until the permits for two other Fire Department facilities (Permit Nos. 645 and 599) are renewed in 2012. At that time, updated permit language for Fire Department related properties will be negotiated concurrently, streamlining the negotiation process with the City.

However, since all Permit No. 473 terms and conditions remain in effect during holdover, and historically compensation for the City Permits has been reset concurrently, resetting of compensation for Permit No. 473 is recommended at this time. Approval of the proposed Order by the Board will eliminate the need for additional separate Orders.

There are 59 Permits and Orders between the Harbor Department and other City Departments. Currently, nine are overdue for Permit renewal and two are overdue for compensation reset. Accordingly, all renewals and compensation resets with City Departments are being processed by staff.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the resetting of compensation rates for five City Permits for two, five-year periods. As an administrative action, the Director of Environmental Management has determined 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.

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ECONOMIC BENEFITS:

Approval of the proposed Board Action will have no direct job impact for the five-county region.

FINANCIAL IMPACT:

The proposed City Permit compensation reset has no impact upon the Harbor Department, since the current annual rental rates would be maintained through FY 13.

CITY ATTORNEY:

The City Attorney's Office has approved this Order as to form and legality.

TRANSMITTALS:

1. Attachment 1 (Exhibit "C")
2. Attachment 2 (City Permits: Proposed Compensation Reset Table)
3. Site Maps

FIS Approval: WR (initials)


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

MJG:CW:BG:raw
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