



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 18, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE PERMIT
NO. 932 WITH SOUTHERN CALIFORNIA EDISON COMPANY**

SUMMARY:

Staff requests approval of proposed Permit No. 932 with Southern California Edison Company (SCE), a California Corporation, for a term of 20 years to occupy 73,035 square feet of aerial right-of-way. These premises are currently occupied on holdover under Permit No. 597 and generate \$57,839.60 in annual rental revenue. Under the proposed Permit No. 932, annual rental revenue would increase by \$18,847.40 to \$76,687.00 per year, subject to annual increases based on the Consumer Price Index (CPI-U).

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(18)(g) of the Los Angeles City CEQA Guidelines;
2. Approve Permit No. 932 with Southern California Edison Company;
3. Direct the Board Secretary to transmit Permit No. 932 to the City Council for approval pursuant to Charter Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 932 upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – Under Permit No. 597, effective August 21, 1987, SCE occupies 73,035 square feet of an aerial right-of-way crossing located approximately 80 feet above the Intermodal Container Transfer Facility for the operation and maintenance of overhead electrical power transmission lines. A depiction of the premises is provided as Transmittal 1. Permit No. 597 expired in August 2017, and has been on holdover status since due to protracted negotiations with the tenant. Under this action, proposed Permit No. 932 would supersede Permit No. 597. A copy of proposed Permit No. 932 is provided as Transmittal No. 2.

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Material terms of the proposed Permit are as follows:

Provisions	Description
Real Estate Entitlement	Term Permit
Permitted Use	Maintenance and operation of an overhead single, double-circuit 220KV electrical power transmission lines
Term	20 years
Termination	Either party may terminate with 180 days prior notice
Premises	73,035 square feet of aerial right-of-way crossing
Compensation	Rent to be paid in advance on an annual basis
Annual Rent ¹	\$76,687.00
Rental Adjustments	1. Annual CPI-U adjustment 2. Five-year rental rate adjustment
Security Deposit	\$19,171.75 (3 months' rent), in cash or letter of credit
Insurance	Standard requirements, plus additional coverage for fire legal liability
Relocation Right	Board has the right to require tenant to relocate transmission lines at tenant's cost or City may relocate line at tenant's cost
Notes: ¹ Rent is calculated using a 10% rate of return (as required by the Port's Leasing Policy) on land value of \$42.00 per square foot and applying a 75% aerial crossing discount. Staff confirmed the land value used to derive the rental rate is consistent with the market values for the area.	

Market Support for Proposed Rent– Due to the unique nature of the property rights granted under the permit, staff conducted a market survey on lease rates for aerial transmission line crossings. Following review of comparable leasing transactions, staff concluded the market rental rates for comparable premises are typically reduced by 75 to 90 percent due to the negligible property impacts, which is consistent with the proposed permit.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of proposed Permit No. 932 with SCE for a term of 20 years to occupy aerial right-of-way, which is an activity involving the issuance of a permit granting use of a municipal utility right-of-way involving negligible or no expansion of use beyond that previously existing or permitted. 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(18)(g) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:


Approval of the proposed Permit No. 932 will result in an initial \$18,847.40 increase in annual rent from the current \$57,839.60 to \$76,687.00 in Year 1. Thereafter, annual rent will increase by CPI-U. Annual rent under the proposed Permit No. 932 conforms to the Harbor Department's Leasing Policy.


CITY ATTORNEY:

Permit No. 932 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

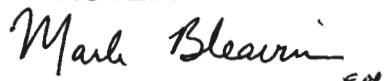
1. Site Map
2. Permit No. 932

FIS Approval: 
CA Approval: 


MICHAEL DiBERNARDO
Deputy Executive Director


MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

APPROVED:


EUGENE D. SEROKA ^{FOR}
Executive Director

EDS:MLK:RG:raw
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