



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 28, 2024

FROM: CARGO AND INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF CONTINUATION OF REVOCABLE PERMIT 18-06 WITH SAN PEDRO FORKLIFT, INC.

SUMMARY:

Staff requests approval of the continuation of Revocable Permit No. 18-06 with San Pedro Forklift, Inc. (San Pedro Forklift) concerning the use and occupancy of City of Los Angeles Harbor Department (Harbor Department) property located at 2418 E. Sepulveda Blvd in Los Angeles for purposes of operating a transloading business.

Approval of the proposed continuation will increase monthly rent by \$13,095.83, or 75 percent inclusive of then current CPI, from \$17,461.13 currently to \$30,556.96 as proposed, effective September 19, 2024. Provided that Revocable Permit No. 18-06 is not sooner terminated, effective September 19, 2025, monthly rent will increase to \$53,474.67 inclusive of then current CPI, and effective September 19, 2026, monthly rent will increase by the greater of the annual change in the Consumer Price Index (CPI) or 3 percent. Thereafter, rent will increase by the annual change in CPI.

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 administratively and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the continuation of Revocable Permit No. 18-06 with San Pedro Forklift, Inc. subject to resetting compensation as set forth in this Resolution;
3. Adopt Resolution No. _____.

DISCUSSION:

Background – Under Revocable Permit No. 18-06, San Pedro Forklift has the right to use and occupy Harbor Department property located at 2418 E. Sepulveda Blvd, Los Angeles (Transmittal 1). The premises are comprised of 140,479 sq. ft. of paved land, including two warehouses and a covered loading dock.

San Pedro Forklift has used and occupied this site since 1999 under a series of real estate entitlements for the distribution of products transported by truck and rail from a transloading yard.

SUBJECT: CONTINUATION OF REVOCABLE PERMIT NO. 18-06

Pursuant to the terms of Revocable Permit No. 18-06, the Board reviews the permit in five-year intervals for continuation and/or modification. Revocable Permit No. 18-06 was subject to five-year review as of September 2023. As part of this review, the Harbor Department confirms current rental rates for comparable property to establish fair market rent for the premises and to confirm whether a tenant is in good standing.

Staff confirmed San Pedro Forklift is a tenant in good standing; however, it was also determined current rent due under the Revocable Permit (\$17,461.13 per month or \$1.49/square foot (sf) per year) 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.

As such, staff recommends the Board authorize the continuation of the Revocable Permit subject to increasing rent to better reflect market. This rent increase would be implemented on a stepped-up basis on each compensation adjustment date as follows, provided the Revocable Permit is not terminated sooner. It is noteworthy, the Revocable Permit includes a provision requiring annual rent increases using CPI as an index; however, additional increases are required through September 2026 to bring the rate to projected then-current market levels. Nothing precludes the Harbor Department from imposing additional increases in the future to ensure the rent is consistent with fair market rental values. More specifically, the Revocable Permit contains a provision which authorizes the Executive Director to change the amount of rent upon giving at least 30 days' notice to the tenant.

	Current	September 19, 2024	September 19, 2025	September 19, 2026	September 19, 2027 September 19, 2028
Monthly rent	\$17,461.13	\$30,556.96	\$53,474.67	~ \$55,078.91 (+3% or CPI)	+ CPI
Annualized rate/SF/Year	\$1.49	\$2.61	\$4.57	~\$4.70 (+>3% or CPI)	+ CPI
% increase	--	75%	75%	>3% or CPI	+ CPI

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the continuation of Revocable Permit No. 18-06 with San Pedro Forklift, Inc., which is administrative 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 administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

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SUBJECT: CONTINUATION OF REVOCABLE PERMIT NO. 18-06

FINANCIAL IMPACT:

Approval of the proposed continuation will increase monthly rent by \$13,095.83, or 75% inclusive of then current CPI, from \$17,461.13 currently to \$30,556.96 as proposed, effective September 19, 2024. Provided that Revocable Permit No. 18-06 is not sooner terminated, effective September 19, 2025, monthly rent will increase to \$53,474.67 inclusive of then current CPI, and effective September 19, 2026, monthly rent will increase by the greater of the annual change in the Consumer Price Index (CPI) or 3%. Thereafter, rent will increase by the annual change in CPI.

Effective September 19, 2024, annual rent will be \$366,683.52 under the proposed continuation.

CITY ATTORNEY:

The Office of the City Attorney has reviewed the proposed action and finds no legal issues at this time.

TRANSMITTALS:

1. Transmittal Map

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

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APPROVED:

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ES:MD:MK:PD:db

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