



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 17, 2018

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE ORDER
RESETTING COMPENSATION AND NAME CHANGE UNDER PERMIT
NO. 887 WITH H.J. BAKER & BRO., LLC**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 887 (P887) with H.J. Baker & Bro., LLC (HJ Baker) for the five-year period of May 3, 2018 through May 2, 2023 for a sulphur processing facility located in Wilmington.

In addition, staff requests approval of the name change from H.J. Baker & Bro., Inc. to H.J. Baker & Bro., LLC as a result of HJ Baker filing a Certificate of Conversion with the state of Delaware.

Under the compensation reset Order, the monthly rent will be adjusted from \$30,251.86 to \$35,057.21 per month effective May 3, 2018, and to \$39,425.71 per month effective May 3, 2019, including Consumer Price Index (CPI) adjustments on July 1st of every year during the five-year compensation period. These are increases of 15.8 and 12.4 percent, respectively. HJ Baker is financially responsible for all payments due under P887.

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 the Order resetting compensation under Permit No. 887 with H.J. Baker & Bro., LLC;
3. Approve the name change from H.J. Baker & Bro., Inc. to H.J. Baker & Bro., LLC;
4. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 887; and
5. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 887 WITH H.J. BAKER & BRO., LLC

DISCUSSION:

Background – P887 with HJ Baker was approved by the Board on May 3, 2013 for the use of City of Los Angeles Harbor Department (Harbor Department) property in Wilmington consisting of 131,055 square feet (s.f.) of surface land area. The total term of P887 is ten years. The premises are used for the operation and maintenance of a sulfur processing, pelletizing, bulk storage facility and related purposes.

Name Change – HJ Baker was originally incorporated in the state of Delaware on August 25, 1994. Effective December 31, 2016, HJ Baker submitted to the state of Delaware a Certificate of Conversion from a Corporation to a Limited Liability Company. Under Delaware law, post-conversion, the entity is deemed to be the same as it were pre-conversion specifically per sections (d) and (g) of Delaware Code §18-214.

Current Compensation – HJ Baker's initial compensation was negotiated in 2012. The rent was established based on a land value of \$25 per s.f. with a rate of return of 10 percent. In addition, rent is subject to an annual CPI adjustment. HJ Baker currently pays a monthly rent of \$30,251.86.

The negotiated market rent for the premises is based on \$3.21 per s.f. per year (\$32.10 per s.f. land value at a 10 percent rate of return) in the first year, with year two set at \$3.61 per s.f. per year (\$36.10 per s.f. land value at 10 percent rate of return). Such levels are commensurate with other permits in the Wilmington area and in parity with recent compensation resets for similar uses.

Proposed Reset of Compensation – Compensation will be set to fair market rental rates with step rent increases for 2018 of \$35,057.21 per month and a step increase of \$39,425.71 per month for 2019 (Transmittal 1). CPI increases will be applied annually over the five-year period of May 3, 2018 through May 2, 2023.

YEAR	AREA IN SF	EST. ANNUAL CPI*	RENTAL RATE/SF/YR	PROJECTED ANNUAL REVENUE
2018**	131,055	2.5%	\$3.21	\$406,723.70
2019**	131,055	2.5%	\$3.61	\$465,054.08
2020	131,055	2.5%	\$3.70	\$490,997.88
2021	131,055	2.5%	\$3.79	\$503,272.80
2022	131,055	2.5%	\$3.89	\$515,854.62

* CPI APPLIED JULY 1

** Compensation Step Increase Applied on May 3rd

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the name change and Order resetting compensation under Permit No. 887, which is an amendment to a permit. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act under Article III Class 1(14) of the City of Los Angeles CEQA Guidelines.

FINANCIAL IMPACT:

The Order resetting compensation under Permit No. 887 with HJ Baker for Harbor Department in Wilmington will result in an annual increase in revenue of 12 percent in year one and 14.3 percent in year two, with estimated average 2.5 percent annual CPI increases being applied in all years of the compensation reset period. Total estimated revenue over the five-year term is estimated at \$2,381,903.08

CITY ATTORNEY:

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


TRANSMITTALS:


- 1. Order
- 2. Site Map

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

for

JACK C. HEDGE
Director of Cargo & Industrial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

EUGENE D. SEROKA
Executive Director

ES:MD:JH:PA:raw
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BL724raw HJ Baker Comp Reset-Name Change