



THE PORT
OF LOS ANGELES
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 11, 2024

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – ORDER RESETTING COMPENSATION
UNDER PERMIT NO. 931 WITH LINDE INC.

SUMMARY:

Staff requests approval of an Order resetting compensation under Permit No. 931 (Permit) with Linde Inc. (Linde) for the five-year period of April 24, 2023, through April 23, 2028. The premises are comprised of 9.08 acres of land, which Linde uses for the operation of an industrial gas separation plant, and an additional 29,246 square feet of pipeline right-of-way located in Far East Wilmington.

Under the proposed action, Linde's annual rent will increase by \$677,752.78, or 55.4 percent, from \$1,222,497.92 to \$1,900,250.70 effective April 24, 2023. Thereafter, annual rent will increase by the year-over-year change in the Consumer Price Index (CPI), subject to a floor of zero percent.

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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation under Permit No. 931 with Linde Inc.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 931; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – Permit No. 931 was entered into with Linde's predecessor-in-interest, Praxair, Inc (Praxair) on April 24, 2018, for a term of 10 years with two 10-year extension options. In 2023, the Board approved a merger in which the tenant under Permit No. 931 changed from Praxair to Linde. The premises (Transmittal 1) consists of 9.08 acres of paved land, and 29,246 square feet of pipelines (i.e. oxygen, recycled water and separated gas lines) located at 2300 E. Pacific Coast Highway in Wilmington for purposes of operating a gas separation plant site. At this facility, Linde separates gases from the

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ambient air and individually separates the elements (such as nitrogen and oxygen) so that they can be used for specific industrial purposes.

Linde owns the improvements built at the premises, which include an administrative office, service garage for tractor-trailers, storage, and mechanical buildings.

Compensation Structure – Linde’s compensation structure is comprised of annual base rent paid in quarterly installments. Base rent is subject to both i) annual adjustments based on the year-over-year increase in the CPI and ii) five-year compensation resets. As of April 23, 2023, base rent was \$1,222,497.92. The proposed Order would retroactively reset compensation with an effective date of April 24, 2023. Staff evaluated the rent in effect prior to the reset period and determined it was below market and required an increase.

Because the parties did not reach agreement on the reset by the commencement of the reset period, staff increased the minimum annual rent by 125 percent as required under the permit and initiated the process to determine the reset amount via an appraisal. Following protracted negotiations staff, and Linde ultimately arrived at a negotiated rate to bring the rates in line with market in lieu of the appraisal process. As prescribed in the Permit, the monies paid at the 125 percent rate count against the rent which accrues from the date the five-year adjusted period commenced.

Rent adjusts based on the year-over-year increase in CPI, subject to a floor of zero percent. Based upon staff’s market survey for comparable properties, staff recommends that rent be increased as proposed below:

Premises Sq. Ft.		Proposed Rates	Proposed Annual Rent
Paved Land	395,435 Sq. Ft.	\$4.75/sf/year	\$1,878,316.20
Pipelines	29,246 Sq. Ft.	\$0.75/sf/year	\$21,934.50
Total	424,681 Sq. Ft.	\$4.47/sf/year (blended)	\$1,900,250.70

April 23, 2023, Quarterly Rent	Increase in Rent	April 24, 2023, Proposed Quarterly Rent	April 24, 2023, Minimum Annual Rent	5-Year Revenue No less than:
\$305,624.48	+55.4%	\$475,062.68	\$1,900,250.70	\$9,759,687.58

ENVIRONMENTAL ASSESSMENT:

The proposed action is an order resetting compensation with Linde Inc., which is an administrative activity. Therefore, the Director of Environmental Management has

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determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Order resetting compensation for the period of April 24, 2023 through April 23, 2028 would retroactively increase annual rent by \$677,752.78, or 55.4 percent, from \$1,222,497.92 to \$1,900,250.70 as proposed as of April 24, 2023. Based upon the observed year-over-year change in CPI, annual rent as of April 24, 2024 would then increase by 3.4 percent to \$1,964,859.22. Thereafter, annual rent will increase by the year-over-year change in CPI, subject to a floor of zero percent.

CITY ATTORNEY:

The proposed Order resetting compensation under Permit No. 931 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Location Map
2. Order

FIS Approval: JS
CA Approval: SO

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