



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 2, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER APPROVING
COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN
CALIFORNIA GAS COMPANY**

SUMMARY:

Staff requests approval of a compensation reset under Permit No. 870 (P870) with Southern California Gas Company (So Cal Gas) for the five-year period of October 25, 2022 through October 24, 2027. P870 has a 20-year term from October 25, 2012 to October 24, 2032, with compensation to be reset every five years. P870 grants So Cal Gas use of 3,657 square feet of subsurface land located in East Wilmington for maintenance and operation of an existing pipeline.

Approval of the proposed compensation reset will increase annual rent by \$3,030.00, or 49.6 percent, from \$6,112.50 currently to \$9,142.50 as proposed. Effective July 1, 2023 and each July 1 thereafter, rent shall increase by the year-over-year change in the Consumer Price Index (CPI), subject to a floor of 0 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. 870 with Southern California Gas Company;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 870; and
4. Adopt Resolution No. _____ and Order No. _____.

DATE: NOVEMBER 2, 2022

PAGE 2 OF 3

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN CALIFORNIA GAS COMPANY

DISCUSSION:

Background - P870 has a 20-year term, which expires on October 24, 2032. The premises (Transmittal 1) are comprised of 3,657 square feet of subsurface right-of-way and are used for the maintenance and operation of existing gas lines. Compensation is reset in five-year intervals, with the next reset due on October 24, 2022. So Cal Gas currently pays annual rent of \$6,112.50.

Proposed Compensation Reset – Staff recommends increasing compensation to reflect current market rates of \$5.00 per square foot per year with a subsurface reduction of 50 percent in accordance with the Harbor Department’s Leasing Policy, for an effective rate of \$2.50 per square foot per year.

	Period	Square Feet	Rate/SF/Year	Annual Rent
Current	October 24, 2021 - October 23, 2022	3,657	\$1.67	\$6,112.50
Proposed	October 24, 2022 - October 23, 2023	3,657	\$2.50	\$9,142.50

Effective July 1, 2023, and annually thereafter, rent is subject to increases based on year-over-year percentage increases in the CPI. The staff proposal reflects an increase of 49.6 percent or \$3,030.00, the first year of the reset period.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a compensation reset under P870 with So Cal Gas for a five-year period, which is an administrative activity. Therefore, the Director of Environmental Management has 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 compensation reset will increase annual rent by \$3,030.00, or 49.6 percent, from \$6,112.50 currently to \$9,142.50 as proposed. Effective July 1, 2023 and each July 1 thereafter, rent shall increase by the year-over-year change in the CPI, subject to a floor of 0 percent.

DATE: NOVEMBER 2, 2022

PAGE 2 OF 3

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN CALIFORNIA GAS COMPANY

CITY ATTORNEY:

The proposed Order resetting compensation under P870 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Order

FIS Approval: JS
CA Approval: SO

Marisa L. Katnich
MARISA L. KATNICH
Director of Cargo & Industrial Real Estate


for MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

MK:AP:ss
Author: Armando Parra
BL963ss So Cal Gas Comp Reset