



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: MARCH 20, 2018

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE ORDER
RESETTING COMPENSATION UNDER PERMIT NO. 861 WITH
CALIFORNIA SULPHUR COMPANY**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 861 (P861) with California Sulphur Company (CSC) for the five-year period of June 27, 2017 through June 26, 2022.

Under the compensation reset Order, the monthly rent will be adjusted from \$69,583.68 to \$75,812.45 per month effective retroactively to June 27, 2017. This is an increase of 8.95 percent for 2017 and escalates to current market rent by 2019. The base rent will be subject to an annual Consumer Price Index (CPI) adjustment during the reset period. CSC is financially responsible for all rental payments due under P861.

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. 861 with California Sulphur Company;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 861; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: RESET OF COMPENSATION ORDER UNDER PERMIT NO. 861 WITH CALIFORNIA SULPHUR COMPANY

DISCUSSION:

Background – P861 with CSC was approved by the Board on April 19, 2012 for a ten-year term for the use of City of Los Angeles Harbor Department (Harbor Department) property in Wilmington consisting of 308,829 square feet (s.f.) of surface land area and 851 s.f. of subsurface pipelines.

The premises is for the construction, operation, and maintenance of a sulfur processing, pelletizing, and storage facility, related bulk storage, and related purposes.

Current Compensation – CSC'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. CSC currently pays a monthly rent of \$69,583.68.

The negotiated market rent for the premises is based on \$35 per s.f., which is commensurate with the other permits in the Wilmington area. In recognition that a one-time adjustment to market rent would result in a financial hardship to CSC, the initial monthly rent for year one of the five-year option period will be set at \$75,812.45 per month, with an annual step increases occurring in subsequent years until the rental rate is adjusted above the \$35 per s.f. range in the third year of the reset period (Transmittal 1). Due to protracted negotiations, Board presentation for this item was delayed.

Proposed Reset of Compensation – Compensation will be set to market rental rate with step rent increases for 2017 through 2019 and CPI increases annually over the five-year period of June 27, 2017, through June 26, 2022, as depicted on the attached rental calculation spreadsheet (Transmittal 2).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed project is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Order resetting compensation under Permit No. 861 with CSC will result in an annual increase in revenue of 8.95 percent in year one and 12 percent in year two and year three.

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
SUBJECT: RESET OF COMPENSATION ORDER UNDER PERMIT NO. 861 WITH CALIFORNIA SULPHUR COMPANY

CITY ATTORNEY:

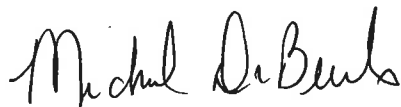
The Office of the City Attorney has reviewed and approved the proposed Order as to form and legality.

TRANSMITTALS:

1. Order
2. Rental Calculation Sheet
3. Site Map

FIS Approval:  (initials)
CA Approval:  (initials)


JACK C. HEDGE
Director of Cargo & Industrial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 FOR
EUGENE D. SEROKA
Executive Director

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