



AUDIT COMMITTEE

Report to the Board of Harbor Commissioners

FOR INFORMATIONAL PURPOSES ONLY

DATE: SEPTEMBER 9, 2020
TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS
SUBJECT: TARIFF NO. 4 CHANGE – SECTION 8: SPACE ASSIGNMENTS

Background and Context – Tariff No. 4 Section Eight provides the Executive Director the authority to grant non-exclusive space assignments for the use of harbor lands and waters. These entitlements are granted to either current tenants inside or outside of their current leasehold, or to new assignees. They are issued for an initial term of 30 days, and can be renewed as circumstances warrant.

Space Assignments are used for the assembly or storage of cargo, the storage of terminal-related equipment or chassis, or other cargo-related purposes. A space assignment cannot interfere with the prompt loading or discharge of vessels, and can be revoked at any time by the Executive Director.

The rates currently charged for space assignments have been unchanged since October 2005. They currently fall far below market rates for land and warehouse (covered) space. This tariff change will bring them to market rate levels over time and then match inflation going forward (ties to the Consumer Price Index or CPI), with a minimum increase of two percent per year every January 1, rounded to the nearest penny per square foot, starting in calendar year 2023. The current updates and proposed schedule for space assignment rates will not be part of any future General Rate Increases (GRI).

The proposed rate schedule is as follows:

Space Assignment Rate Schedule
(Rates in Cents per Sq. Ft. per 30-day Period)

Type of Area	Current Rate	Effective Date	
	10/29/2005	1/1/2021	1/1/2022
Covered	36	65	70
Uncovered, paved	17	31	35
Uncovered, unpaved	15	28	32
Water Area	6	11	12

Further changes and additions to the section include:

- Update the minimum charge for a space assignment from \$497.70 to \$750 per 30-day period. The current minimum rate has also been unchanged since October 2005. The minimum charge will be linked to any CPI changes starting 1/1/23.
- Add a rate of \$2.10 per linear foot per month for any fenced space assignment area where the fencing is provided by the Port. This is equal to the rate of the Port of Long Beach and will be linked to any CPI changes starting 1/1/23.
- Adding a rate of \$.03 per square foot per month when lighting is provided by the Port. This is equal to the rate of the Port of Long Beach and will be linked to any CPI changes starting 1/1/23.
- Update Note 1 to clarify that payment for all charges are due in advance on the first day of the 30 day period unless the assignee is on the Port's Credit List.
- Update Part (4) of Section 800 to ensure that property in a space assignment area must be stored, stacked, palletized or high piled in a manner that meets all applicable local, state and federal laws, rules and regulations, including environmental review. In addition, the Executive Director will have the right to access, inspect, examine and to review all property placed on wharf premises under a space assignment.

The financial impact of this tariff change is limited due to the efforts to shift tenants from space assignments to less temporary property entitlements, including Revocable Permits. By early 2021, most space assignments in place now (September 2020) will be terminated. In the next several years as the new rates are phased in, new space assignments will more accurately reflect market rates for Port property and provide the Port with revenues commensurate with Port policies on the value of land and property.



EUGENE D. SEROKA
Executive Director

EDS:MD:MK:dy

Attachment:

Transmittal 1: Proposed Tariff No. 4, Section 8 – Space Assignments (changes highlighted)

Author: Marisa L. Katnich, Director, Cargo & Industrial Real Estate

SECTION EIGHT SPACE ASSIGNMENTS		Item No.
SPACE ASSIGNMENT		
<p>The Executive Director shall have the authority to grant nonexclusive space assignments for use of harbor lands and waters to assignees on the following terms and conditions:</p> <p>(1) Space assignments shall be granted on the Port's standard space assignment forms and shall describe the area granted.</p> <p>(2) Space assignments for the assembly or storage of merchandise or for other purposes stated below may be issued for a thirty (30) day period. Upon application and if conditions and circumstances warrant, one or more renewals for an additional thirty (30) days or longer or shorter period may be granted.</p> <p>(3) The primary charges for all space assignments are those set forth in Item 810. Any other tariff charges applicable shall also be paid. Charges shall begin to accrue on the day the space assignment is made available for assignee's occupancy.</p> <p>(4) Property placed in a space assignment area shall be stored, stacked, palletized, or high piled in accordance with all applicable local, state and federal laws, rules and regulations, including environmental review. The Executive Director or their designee shall have the right to access, inspect, examine and to review all property placed on wharf premises under a space assignment.</p> <p>(5) The grant of such assignment shall not interfere with the prompt loading or discharging of vessels.</p> <p>(6) The provisions of Item Nos. 780 and 790 shall not apply to merchandise resting within an area designated as a space assignment area.</p> <p><u>(a) Space Assignment Areas Within an Assignee's Existing Premises</u></p> <p>So that a Department assignee may be granted the Tariff Item 800 space assignment rate rather than the otherwise applicable demurrage and wharf storage rate, the Executive Director may grant a space assignment area within premises held by an assignee under another agreement with City for purposes relating to the operation of the premises, or for the purposes of operating a container freight station (CFS) if unusual circumstances exist with respect to the assembly or distribution of the merchandise and if space available. Space assignments granted for these purposes shall be subject to the terms and conditions of any agreement in effect for the premises covered by this space assignment.</p>		+[C] 800
See Item 10 for explanation of abbreviations and symbols.		
Correction No.	Order No. 5837 Ordinance No. 165789	Adopted July 12, 1989 Adopted April 10, 1990
EFFECTIVE: July 1, 1990		

SECTION EIGHT – Continued
SPACE ASSIGNMENTS -- Continued

Item No.

(b) Space Assignment Outside an Assignee's Existing Premises

The Executive Director may grant a space assignment for areas outside premises held by an assignee under another agreement with City for purposes relating to the operation of the premises, including but not limited to cargo related purposes, storage of terminal related equipment or chassis, or for the purpose of operating a container freight station (CFS) if assignee in writing first requests the Executive Director to assign an additional area. The original request and each request for an extension shall state why existing premises held by assignee are insufficient and how long assignee expects to need the space assignment area. All charges due for use of space assignments granted pursuant to this section shall be paid in full and are not subject to the compensation provisions of other agreements assignee may have with City.

800
(Cont.)

(c) Space Assignments Granted to Port Users Who are Not Current Assignees

Executive Director may grant space assignments to Port users who are not currently assignees for cargo related purposes or other purposes as permitted by the Charter of the City of Los Angeles so long as such other purposes are permitted by the tide and submerged land grants which regulate the use of lands within the Harbor District.

RATES FOR SPACE ASSIGNMENT

Rates for space assignment granted in accordance with the provisions of Item No. 800 shall be as follows (subject to Notes 1 - 6):

Space Assignment Rate Schedule
(Rates in Cents per Sq. Ft. per 30-day Period)

Type of Area	Effective Date	
	1/1/2021	1/1/2022
Covered	65	70
Uncovered, paved	31	35
Uncovered, unpaved	28	32
Water Area	11	12

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810

++Effective January 1, 2023, and annually thereafter, the space assignment rates will be adjusted as of January 1 automatically without further notice to reflect the percentage increase of the greater of: (a) Two Percent (2%) or (b) the percentage increase (but not any decrease), if any, in the West Region Consumer Price Index, all Urban Consumers ("CPI") as adopted by the California Association of Port Authorities (CAPA), or successor index selected by Executive Director in his or her sole reasonable discretion. Such adjusted space assignment rates shall be equal to the product obtained

See Item 10 for explanation of abbreviations and symbols.

Correction No. 352	Order No.	Adopted	EFFECTIVE:
	Ordinance No.	Adopted	

SECTION EIGHT – Continued SPACE ASSIGNMENTS -- Continued		Item No.
<p>by multiplying the existing space assignment amount in effect on the Annual Adjustment Date by a fraction, the numerator of which is the CPI index in effect for the month of November immediately preceding the Annual Adjustment Date, (the “Adjustment Index”) and the denominator of which is the CPI index as it stood on the same month of the prior year (the “Base Index”). For accounting purposes, the Annual Adjustment shall be rounded to the nearest penny per square foot per month.</p> <p>Minimum charge: \$750.00 per thirty (30) day period per space assignment. Effective January 1, 2023, the rate will increase by 2% or by the percentage increase, if any, of the Consumer Price Index (CPI) as stated above.</p> <p>Note 1: Charges are due and payable in advance on the first day of each 30 day period, with the exception of assignees placed on the Port’s Credit List (See Item No. 260, Credit List.)</p> <p>Note 2: If a space assignment exceeds thirty (30) days or is revoked by the Executive Director, charges will be prorated on a daily basis.</p> <p>Note 3: Water area shall be measured outboard from the waterfront edge of a wharf if a wharf location is involved or from the high tide line if a wharf is not located at the site.</p> <p>+Note 4: In addition to the above rates, fenced areas will be assessed at \$2.10 per linear foot per month. Effective January 1, 2023, the rate will increase by 2% or by the percentage increase, if any, of the Consumer Price Index (CPI) as stated above.</p> <p>+Note 5: In addition to the above rates, lighting will be assessed at \$0.030 per square foot per month. Effective January 1, 2023, the rate will increase by 2% or by the percentage increase, if any, of the Consumer Price Index (CPI) as stated above.</p> <p>+Note 6: This Section (Section 8) shall be exempt from any general rate increase, which from time to time may be implemented through periodic adjustments. This does not prohibit the adjustment of Space Assignment rates through amendments to this Section.</p>		<p>[A][C]+ 810 (Cont.)</p>

See Item 10 for explanation of abbreviations and symbols.

Correction No.	Order No. Ordinance No.	Adopted Adopted	EFFECTIVE:
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