



DATE: FEBRUARY 18, 2016

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: ORDER NO. _____ - APPROVE THE RESET OF
COMPENSATION UNDER PERMIT NO. 890 WITH LARRY GLEASON,
DBA HARBOR ICE & COLD STORAGE**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 890 (P890) with Larry Gleason (Gleason) dba Harbor Ice & Cold Storage and to exercise the option to extend P890 by five years. As a result, it is necessary to reset compensation for the five-year period of June 7, 2016 to June 6, 2021.

Under the compensation reset Order, the current monthly rent of \$4,072.99 will be adjusted to \$8,387.39 effective June 7, 2016. Thereafter, the initial base rent will be subject to an annual eight percent increase in order to attain market rent, plus an annual Consumer Price Index (CPI) escalator throughout the five-year term.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Section 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Order resetting compensation under Permit No. 890 with Larry Gleason dba Harbor Ice & Cold Storage;
3. Authorize the Board Secretary to attest to the Order; and
4. Adopt Order No. _____.

DISCUSSION:

Background/Context – P890 with Gleason was approved by the Board on January 6, 2011 for a term of five years with three five-year options (maximum term of 20 years) for use of 45,775 square feet (s.f.) of Harbor Department property on Terminal Island (Transmittal 1) for a wet fish processing operation. Specifically, Gleason maintains and operates a facility for the purpose of offloading and processing wet fish from commercial fishing vessels and associated water-dependent operations, including cold storage.

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Under P890, the premises consist of waterfront land and a portion of the wharf for a fish pump at Berth 261. Gleason was provided nonexclusive use of wharfs for the unloading of wet fish. All improvements, with the exception of utility poles, on the premises are owned by Gleason, and Gleason is responsible for the operation and maintenance costs of all tenant improvements within its premises. Pursuant to subsection 3(b) of P890, Term, the Harbor Department has the sole discretion to exercise the five-year option with 90 days' written notice from the Executive Director. Based upon discussions with Gleason, the Harbor Department has issued a letter to extend the term of P890 by five years.

Compensation Reset Order – Under Subsection 607(b), Compensation Adjustments, of the Los Angeles Charter, the adjustment of rent for the first five-year option period under P890 is required.

Current Compensation – An initial annual rent of \$45,749.40 was negotiated based on a \$10 per s.f. annual rental rate, with a 10 percent rate of return and an annual CPI escalator. Gleason currently pays a CPI-adjusted monthly rent of \$4,072.99 (base rent).

Currently, the market rent for permits on Terminal Island is based on land values that range between \$29 and \$33 per s.f. In recognition that a one-time adjustment to market rent would result in a financial hardship to Gleason, the initial monthly rent for year one of the five-year option period was set at \$8,387.39, with an annual eight percent increase occurring subsequent years until the initial rent is elevated to within range of then current land values on year five of the reset period.

Proposed Reset of Compensation – Under the proposed Order (Transmittal 2), Gleason's initial rent during the first year of the option period commencing on June 7, 2016 is \$8,387.39 per month, based on an annual land value of \$22 per s.f. Thereafter, the initial rent will be annually adjusted throughout the five-year period in eight percent increments. The rent will be subject to an annual CPI escalator throughout the term (June 7, 2016 to June 6, 2021).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under P890 with Gleason, which is an activity involving an amendment to a permit to use an existing facility involving negligible or no expansion of use. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed reset of compensation under P890 will result in Gleason paying an initial monthly rent of \$8,387.39 to the Harbor Department effective June 7, 2016, with eight percent annual rental increases occurring throughout each year of the five-year term (ending June 6, 2021). In addition, the proposed compensation will be adjusted annually based on CPI.

The proposed reset of compensation under P890 conforms to the Board's adopted rate of return policy of ten percent on an annual land value of \$22 per s.f.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Site Map
2. Order



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

FIS Approval: MB (initials)
CA Approval: MS (initials)



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:JH:ST:FS:raw
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