



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

Board of Harbor Commissioners

DATE: SEPTEMBER 15, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 20-13 WITH SO. CAL. SHIP SERVICES, A CALIFORNIA CORPORATION

SUMMARY:

Staff requests approval of Revocable Permit (RP) No. 20-13 with So. Cal. Ship Services (SCSS) for a month-to-month term not to exceed 24 months for 16,737 square feet of unpaved yard and 83,325 square feet of water area adjacent to South Seaside Avenue, Terminal Island. SCSS provides water taxi and land-based logistical support for offshore oil platforms. RP No. 20-13 will yield \$122,660.55 in revenue to the City of Los Angeles Harbor Department (Harbor Department) in the first year, with scheduled rent step increases incorporated throughout the 24-month term.

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 has been previously evaluated pursuant to the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Approve Revocable Permit No. 20-13 with So. Cal. Ship Services;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 20-13 upon approval by the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background – SCSS provides water taxi and land-based logistical support for offshore oil platforms at its premises on Terminal Island governed under Permit No. 830, which is currently on holdover. In addition, SCSS occupies supplemental premises under a Space Assignment (i.e. use agreement governed by Tariff No. 4) which would be converted to the proposed Revocable Permit No. 20-13 under this action.

By way of background, the Board recently approved a similar transaction with SCSS on June 18, 2020, concerning converting a different Space Assignment to Revocable Permit 19-17 (RP 19-17). This proposed transaction is being handled separately from RP 19-17 because the location of these premises is separate and distinct from those covered under the previously approved RP.

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With respect to SCSS's Permit No. 830 for its primary facility, staff is currently negotiating a replacement permit that will be forthcoming for the Board's consideration and may include portions of the premises covered under this proposed RP, in addition to those entitled under RP 19-17 and Permit No. 830.

Background on Proposed Rates - The subject premises are entitled as a Space Assignment, which is subject to the rates in Tariff No. 4: \$0.15 per square foot per month (PSFPM) for unpaved land and \$0.06 PSFPM for water areas. The Tariff rates date back to 2005 and are lower than current market rates for comparable locations: approximately \$0.35 PSFPM for paved land and \$0.11 for water. Consistent with above-mentioned RP 19-17, the proposed RP addresses the need for a rate increase to better reflect the market, but does so in a step-up fashion, with graduated rent increases over the term to allow SCSS time to make budget adjustments. Further, Parcel No. 1 is regulated by the California Department of Toxic Substances Control and is subject to a land use covenant, which significantly limits utility of the property. The rate for this parcel takes into account the use restrictions, and also that the premises are not paved.

Material terms of the Revocable Permit are as follows:

<u>Provisions</u>	<u>Description</u>
Real Estate Entitlement	Revocable Permit
Permitted Use	Mooring of vessels and storage of associated oil platform operation materials
Term	Month-to-Month, not to exceed 24 months
Termination Rights	Either party may terminate with 30 days' written notice
Effective Date	October 1, 2020
Premises (Transmittal 1)	Parcel 1: 16,737 SF (Unpaved Land) Parcel 2: 83,325 SF (Water)
Initial Monthly Rent	\$7,844.79
Rent Adjustments	Provided the Revocable Permit is not sooner terminated, rent would be adjusted per the schedule below.

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Rate Schedule (PSFPM)	<u>Parcel 1</u>	<u>Parcel 2</u>
	<u>(Unpaved Land)</u>	<u>(Water)</u>
Effective Date		
Oct 1, 2020	\$0.17	\$0.06
Jan 1, 2021	\$0.21	\$0.09
Jan 1, 2022	\$0.27	\$0.12
Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense	
Insurance	Includes all standard insurance provisions and requirements	
Property As-Is	Tenant accepts property in as-is condition, and acknowledges a portion of the Premises is subject to a land use covenant	
Security Deposit	Two months' rent in the form of a letter of credit or cash	

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of RP 20-13 with SCSS, which is an activity for which the underlying project has been previously evaluated in the Final Initial Study/Mitigated Negative Declaration (IS/MND) for the SCSS Project (SCH# 2018061043), which was certified by the Board of Harbor Commissioners (Board) on September 6, 2018, and the Addendum to the SCSS IS/MND which was considered by the Board on June 18, 2020. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of proposed RP No. 20-13 (Transmittal 2) will enable SCSS to occupy 16,737 square feet of unpaved land and 83,325 square feet of water area over no more than a 24-month term and will generate annual rent of \$122,660.55 in the first year and \$163,703.97 in the second year, incorporating fixed step increases at months 4 and 16. The proposed Year 1 rent of \$122,660.55 represents a \$32,539.95, or 36.1 percent, increase relative to the annual rent which would have been received at the current space assignment rates. The proposed rent implies an average monthly rent of \$10,221.71 in the first year and average monthly rent of \$13,642.00 in the second year, a 33.5 percent increase.

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CITY ATTORNEY:

Revocable Permit No. 20-13 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Revocable Permit

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

FIS Approval: *MyB*
CA Approval: *[Signature]*
Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Eugene D. Seroka FOR
EUGENE D. SEROKA
Executive Director

ES:MD:MLK:PA:TP:raw
Author: Tom Patton
BL842raw So Cal Ship RP 20-13