



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 8, 2022

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 21-03 WITH THE UNIVERSITY OF SOUTHERN CALIFORNIA

SUMMARY:

Staff requests approval of proposed Revocable Permit No. 21-03 between the City of Los Angeles Harbor Department (Harbor Department) and the University of Southern California (USC) for use of approximately 23,200 square feet (SF) of land and 8,000 SF of water at Berth 194 in Wilmington for the operation of a boathouse, storage and launching of racing shells, and related incidental purposes. Revocable Permit No. 21-03 will supersede Permit No. 828, which expired on February 23, 2006, and was placed on holdover status while the Harbor Department explored many development plans for the area throughout the years.

The proposed compensation for this new Revocable Permit will initially be \$44,400 per year (or \$3,700 per month), and will increase annually by \$12,000 for the next two years. Additionally, the rent will also be adjusted by the annual Consumer Price Index (CPI) adjustment factor in July of each year.

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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Find that it is in the best interest of the City of Los Angeles Harbor Department to deviate from the rate of return policy and grant the educational discount to the University of Southern California as an academic institution and educational facility which provides significant non-monetary compensation in the form of education and public programming, and other local and regional economic benefits;
3. Approve Revocable Permit No. 21-03 with the University of Southern California;
4. Authorize the Executive Director and Board Secretary to execute and attest to Revocable Permit No. 21-03; and

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5. Adopt Resolution No. _____.

DISCUSSION:

Background – The USC rowing program has been located in the Port of Los Angeles (Port) since 1948. This location provides suitable conditions for practicing year-round with limited boat traffic. Since USC’s establishment of the program in the Port, the program has developed thousands of rowers, including national and Olympic team members. In addition to being one of the premier rowing programs on the West Coast, the program regularly competes with other universities that boast high-caliber rowing programs and modern facilities.

In early 2000, USC boathouse operations were relocated from Berth 192 to Berth 194. In 2003, a three-year permit was executed and upon its expiration on February 23, 2006, the Permit was placed on holdover status. In 2005, USC presented plans for substantial expansion of the rowing facility. However, following the completion of the Harbor Department’s long-term land-use plan in 2008, it was determined that the proposed USC expansion plans were inconsistent with the long-term plan. Through 2008, USC explored options of reducing their redevelopment scope. In 2010, USC constructed new restrooms and ancillary upgrades, including the installation of temporary trailers to provide locker rooms for the women’s rowing team. In 2013, USC executed a new five-year successor permit based on the then market land value of \$20.91 per SF; however, it was withdrawn by the Harbor Department due to the proposed redevelopment of the Wilmington Waterfront and potential relocation of tenants, including USC at Berth 194. In 2015, Berth 194 was removed from the Wilmington Waterfront Project’s footprint and negotiations began for a new permit with USC. USC proposed to expand their premise with plans to build a \$6 million rowing facility that will serve their Women’s NCAA team, men’s club team, and a community youth rowing program. The proposal also included a request to continue the educational discount for the proposed community youth rowing program. However, the negotiation was put on hold due to new proposed cargo-related development of Berths 192-194.

The approval of the proposed Revocable Permit No. 21-03 is recommended to address three issues:

1. Allow time for the Harbor Department and USC to identify square footage available for USC’s proposed expansion. USC has requested additional 100 feet of frontage along its Southern border which is currently occupied by C&M and is part of the proposed development at Berth 192-194. The staff has currently identified the availability of only 60 feet due to the proposed development.
2. Update the existing outdated 2002 holdover permit to the latest short-term revocable permit template to increase the compensation and add annual CPI adjustments while staff and USC resolve the above issue. The compensation will be automatically raised each year until the long-term permit replacing the revocable permit is executed. The rent escalation will motivate USC to come to terms on a new long-term permit as soon as possible.

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- 3. Clearly identify the duties required of USC in order to continue receiving an educational discount. Proposed duties are outlined in Exhibit E, which will be incorporated into the new long-term permit. During the revocable permit period, USC will be required to prepare detailed program plans and to continue its current regional community educational programs.

Proposed Permit Summary

Effective Date: Permit No. 21-03 (Transmittal 1) shall become effective following approval by the Board, and execution by the Executive Director.

Premises: The proposed permit shall entitle USC to use and occupy premises consisting of approximately 23,200 SF of land and 8,000 SF of water, as depicted on the attached map (Transmittal 2).

Use: Permit No. 21-03 shall entitle USC to continue to use the premises for the operation and maintenance of a boathouse, storage of associated materials and supplies, placement of floats and trailers, and launching of racing shells. No change or additional uses of the premises will be allowed.

Term: Month-to-Month.

Maintenance: During the entire term of Permit No. 21-03, USC shall maintain and repair the premises and all improvements thereon, at its sole cost and expense.

Compensation: USC’s current compensation, which was adjusted on March 1, 2021, under Permit No. 828 is \$31,788 per year (or \$2,649 per month). The proposed compensation for this new Revocable Permit will initially be \$44,400 per year (or \$3,700 per month), and will increase annually by \$12,000 for the next two years. Additionally, the rent will also be adjusted by the annual CPI adjustment factor in July of each year. A step increase in the compensation was incorporated into the proposed compensation to lessen the impact of the 120 percent rental increase (from \$2,649.00 per month to \$5,851.13). Based on the Board’s 10 percent rate of return (ROR) policy, the ROR will be met in 2024.

Estimated Market Rent in 2022 (Land Value at \$45)								
Property Type	Area (s.f.)	Market Value	Educational Institute Discount	Value (per s.f.)	Rate of Return	Rental Rate/Year (s.f.)	Annual Rent	Monthly Rent
Parcel 1 - Surface land	23,204	45.00	50%	\$22.50	10%	\$2.25	\$ 52,209.00	\$ 4,350.75
Parcel 2 - Submerged land	8,002	45.00	50%	\$22.50	10%	\$2.25	\$ 18,004.50	\$ 1,500.38
Total							\$ 70,213.50	\$ 5,851.13

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval and issuance of RP 21-03 to USC for continued operation and maintenance of a boathouse, which is an activity involving the issuance of any lease, license or permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of 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 Revocable Permit No. 21-03 will: 1) Allow time for the Harbor Department and USC to identify square footage available for USC's proposed expansion, 2) Update the existing outdated 2002 holdover permit to the latest short-term revocable permit template to increase the compensation and add annual Consumer Price Index (CPI) adjustments while staff and USC resolve the above issue, and 3) Clearly identify the duties required of USC in order to continue receiving an educational discount.

The proposed compensation will be \$44,400 per year or \$3,700 per month and will increase annually by \$12,000 for the next two years. Additionally, the rent will also be adjusted by the annual CPI adjustment factor in July of each year that this Revocable Permit remains active. The market value of the premises has increased substantially since the tenant first occupied the premises, and this Revocable Permit includes a compensation structure that reflects this current market value. In order to spread the impact of the 120 percent rental increase over the next few years, a stepped increase in the compensation structure to the current market value has been incorporated within the permit.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Revocable Permit No. 21-03 as to form and legality.

TRANSMITTALS:

- 1. Revocable Permit No. 21-03
- 2. Site Map

FIS Approval: MB
CA Approval: SO

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APPROVED:

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