



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. _____ – ORDER RESETTING COMPENSATION UNDER PERMIT NO. 900 WITH WWL VEHICLE SERVICES AMERICAS, INC.

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 900 (Permit) between the City of Los Angeles Harbor Department (Harbor Department) and WWL Vehicle Services Americas, Inc. (WWL). WWL operates an automobile import/export terminal at Berths 195-200A. The reset covers the five-year period from January 1, 2017 through December 31, 2021, and will result in an aggregate increase in Minimum Annual Guarantee (MAG) revenue over the five-years from \$40,815,671 to \$46,834,528, an increase of \$6,018,856., In addition, a Consumer Price Index (CPI) based adjustment is applied each year. WWL is responsible for all rental payments due under the Permit.

RECOMMENDATION:

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

1. Find 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 as determined by the Director of Environmental Management;
2. Approve the Order resetting compensation under Permit No. 900 with WWL Vehicle Services Americas, Inc. for the five-year period of January 1, 2017 through December 31, 2021;
3. Authorize the Board Secretary to attest to the Order resetting compensation to be paid by WWL Vehicle Services Americas, Inc. under Permit No. 900; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – WWL provides global shipping and logistics solutions for manufacturers of cars, trucks, heavy equipment, and specialized cargo. Operations occur in Los Angeles at Berths 195-200A serving up to two roll-on, roll-off carriers at any given time. The on-dock rail yard, with six spurs, allows the transfer of vehicles throughout the western and central United States. WWL's primary customer at the Port of Los Angeles is Nissan, who uses the facility for new vehicle preparation and repair prior to delivery to dealerships and holding facilities throughout California and other locations within the United States.

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Permit No. 900 has a term of 10 years that commenced on January 1, 2012 and expires on December 31, 2021. There is one (1) five-year extension option that will extend the expiration date to December 31, 2026, if exercised. Permit No. 900 grants WWL non-exclusive use of 91.12 acres at Berths 195-200A, subject to applicable wharfage and dockage charges under Tariff No. 4, and a Minimum Annual Guarantee (MAG) of revenue should tariff charges not reach a pre-determined threshold. Total rent paid by WWL in 2016 was \$7,852,122.24.

The current rent compensation structure under Permit No. 900 has two components:

- 1) Payment of wharfage and dockage charges under Tariff No. 4 in its present form or as subsequently amended or superseded. Wharfage charges per automobile or truck are under Section 5, Wharfage, Item Nos. 095-098 and 306. Dockage is charged per event based on Length Over All (LOA).
- 2) Payment of MAG. The value established as the MAG is the baseline for minimum rent due to the Harbor Department for any given year. If total wharfage charges by vehicle volume handled at the facility fail to reach the MAG, the value established as the MAG becomes minimum rent payable for that year. MAG is subject to increase based on any increase in the N.O.S. cargo rate in Tariff No. 4, and is reset at five-year intervals.

Under Section 5.3.1.2 of the Permit, an annual CPI adjustment is applied to MAG every July 1st.

The Harbor Department and WWL commenced negotiations in December 2016. Due to timing of the previous year's volume data, negotiations began in earnest in early March. Subsequently, WWL procured an appraisal in May 2017 to counter the Harbor Department's proposed reset, and meetings continued through the summer of 2017. The Harbor Department and WWL reached agreement in November and finalized the agreement in January, 2018.

Proposed Compensation –The compensation reset period covers January 1, 2017 through December 31, 2021. Proposed compensation includes a first year rent increase of 5 percent backdated to April 1, 2017, plus a scheduled CPI increase of 2.55 percent to be applied as of July 1, 2017. Each year 2018 through 2021 has an additional 5 percent step increase applied each January 1st, plus an additional CPI adjustment on July 1st of each year. Compensation is summarized as follows:

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YEAR	**Current MAG	PROPOSED MAG STEP INCREASE	% Increase from Current	NOTES
2017	\$7,843,073.87	\$8,308,243.64	6%	No Change on Jan 1, 2017 +5% on April 1, 2017 CPI on July 1 (Historically 2.55%)
2018	\$7,999,935.35	\$8,938,553.88	12%	+CPI adjustment on July 1, 2018
2019	\$8,159,934.05	\$9,385,481.52	15%	+CPI adjustment on July 1, 2019
2020	\$8,323,132.74	\$9,854,755.56	18%	+CPI adjustment on July 1, 2020
2021	\$8,489,595.39	\$10,347,493.44	22%	+CPI adjustment on July 1, 2021
Total 5 Yr.	\$40,815,671.40	\$46,834,528.04		

**Current MAG assumes annual 2% CPI Increase

Starting MAG for the WWL facility in 2017 will be reset to \$91,179 per acre, up from \$86,074 per acre under the current compensation structure, and reaching \$113,559 per acre in 2021. These values are well in the range of market values for similar auto terminal properties. Auto terminal rents at various ports on the west coast range from \$42,000 per acre at Tacoma to \$104,000 per acre at the Toyota terminal in Long Beach.

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 (Transmittal 1) for the period of January 1, 2017 through December 31, 2022 will increase the Minimum Annual Guaranty (MAG) revenue for the Permit premises (Transmittal 2). As a result, MAG revenue to the Harbor Department will increase from \$40,815,671 to \$46,834,528, a total of \$6,018,856.64 over the five-year period.

As stipulated in Section 5.3.2 of the Permit, the Order resetting compensation is retroactive to January 1, 2017. Should WWL exceed the MAG in any given year, the Harbor Department will receive compensation in excess of the numbers forecast above, as well as a corresponding increase in rate of return.

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CITY ATTORNEY:

The Order resetting compensation has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Order
2. Site Map



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

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



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:JH:PA:raw
Author: P. Andre
BL719raw WWL Comp Reset