

**DATE: SEPTEMBER 17, 2019**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE PERMIT NO. 933 WITH  
COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY**

**SUMMARY:**

Staff requests approval of new Permit No. 933 (P933) with County Sanitation District No. 2 of Los Angeles County (County Sanitation) to replace Permit No. 120 (P120) and Order No. 3061 (O3061). County Sanitation currently operates a sewage force main system located across the Classification Yard northerly of Pacific Coast Highway under P120 and a sewer trunk line and pumping plant under O3061 that serves San Pedro and neighboring communities. P120 and O3061 are currently on holdover pending renewal.

The proposed replacement Permit is for a term of 30 years and grants County Sanitation the right to use City of Los Angeles Harbor Department (Harbor Department) property consisting of a total of 23,358 square feet (S.F.), comprising of 10,500 S.F. of surface land and 12,858 S.F. of subsurface land.

Annual revenue under the proposed Permit will be \$67,716 per year based on a land value of \$40 per square foot, with a 10 percent rate of return on land and a 50 percent discount for subsurface rights. The proposed rent represents an annual increase of \$53,209 or 367 percent relative to current rent of \$14,506.80 per year paid under P120 and O3061. Rent will be adjusted annually by the Consumer Price Index (CPI-U), with a floor of zero and no maximum. County Sanitation will be financially responsible for the maintenance of the premises.

**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 and statutorily exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1 (14) of the Los Angeles City CEQA Guidelines and State CEQA Guidelines 14 Cal. Code Section 15261(a);
2. Approve Permit No. 933 with County Sanitation District No. 2 of Los Angeles County;
3. Direct the Board Secretary to transmit Permit No. 933 to City Council for approval pursuant to Section 606 of the City Charter;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 933 upon approval by City Council; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – County Sanitation was awarded a 50-year lease commencing on December 31, 1960, for the operation and maintenance of a sewer pumping plant and sanitation sewer trunk line under O3061. The lease expired December 30, 2010, and is currently on holdover on a no-charge basis pursuant to O3061, which did not contain any provisions for changing or increasing rent beyond the one-time payment of \$5,000 as total compensation for use of the premises for the full term of the lease.

Additionally, County Sanitation was awarded a 50-year lease commencing on April 12, 1968 for the maintenance and operation of a sewage force main system under P120. The lease expired April 11, 2018, and is currently on holdover. Compensation under P120 was last reset upon the expiration of the permit, to an annual rent of \$14,506.80 based on a land value of \$28 per square foot. Current annual rent remains unchanged at \$14,506.80.

The proposed Permit (Transmittal 1) will: (a) replace and consolidate O3061 and P120 into one permit, which will help facilitate the management and compensation adjustment process for these entitlements, as the premises are used for similar purposes related to sewer pipelines, (b) add additional area to accommodate the new alignments that are anticipated after County Sanitation's proposed pipeline rehabilitation, (c) adjust compensation to reflect current fair market surface land value of \$40 per square foot for all of the premises, while obtaining a 10 percent rate of return, which yields an annual rent of \$67,716, and (d) include an annual CPI-U adjustment factor with a floor of zero and no maximum.

Permit Terms Summary:

Term: The term of the proposed Permit is 30 years from the effective date.

Premises: Total premises consist of 23,358 S.F., including 12,858 S.F. of subsurface land (Parcels 1 and 2) and 10,500 square feet of land with a pumping station (Parcel 3), as depicted on Drawing No. 5-3707-2 (Transmittal 2).

Use: The premises shall be used for the maintenance, repair, replacement, rehabilitation, and operation of the wastewater surge tower, valves, pipeline and related appurtenances.

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Compensation: Annual rent is \$67,716, which represents a \$53,209 or 367 percent increase in the current rent, as detailed below:

Parcel No.	Land Type	Area (S.F.)	Land Value (S.F./year)	BOHC Rate of Return	Discount Rate	Yearly Rent
1	Subsurface	3,650	\$40.00	10%	50%	\$7,300.00
2	Subsurface	9,208	\$40.00	10%	50%	\$18,416.00
3	Surface	10,500	\$40.00	10%	-	\$42,000.00
<b>Total Annual Rent</b>						<b>\$67,716.00</b>

Annual CPI-U Adjustments: Following the effective date, rent will be adjusted annually based on the percentage increase in the CPI-U.

Five-Year Adjustments of Rent: Pursuant to City Charter Section 606, rent will be adjusted on every fifth anniversary of the effective date to reflect the fair market rental for the premises.

Maintenance and Repair: County Sanitation is responsible for maintaining the premises and all improvements of any kind on the premises.

### **ENVIRONMENTAL ASSESSMENT:**

The proposed activity is a public agency's continued operation of a sewer pumping plant and sanitation sewer trunk line, which is an activity that originally commenced under Order 03061, issued on December 31, 1960. The 1960 project approval was prior to the enactment of the California Environmental Quality Act (CEQA) on November 23, 1970, and has operated continuously since, with no project modifications or expansion of use for successor Permit No. 933. Therefore, the Director of Environmental Management has determined that the proposed action is categorically and statutorily exempt from CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines and State CEQA Guidelines 14 Cal. Code Section 15261(a).

### **FINANCIAL IMPACT:**

Under P933, annual compensation is \$67,716, which is a \$53,209, or 367 percent, increase from the current compensation under O3016 and P120. County Sanitation currently occupies the premises under O3061 at no charge and the premises under P120 at an annual compensation amount of \$14,506.80. Compensation shall be increased annually by CPI-U, with a floor of zero percent and no maximum.

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**CITY ATTORNEY:**


Permit No. 933 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**


1. Permit No. 933
2. Site Map

FIS Approval: MB  
CA Approval: gml

  
REGNER GLOBUS  
Assistant Director, Cargo & Industrial Real Estate

  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

  
EUGENE D. SEROKA  
Executive Director

ES:MD:RG:ST:SM:fo  
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BL800fo Sanitation P933