



Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: MARCH 3, 2021**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE PERMIT NO. 952 WITH INNOVATIVE TERMINAL SERVICES, INC.**

**SUMMARY:**

Staff requests approval of Permit No. 952 (Permit) with Innovative Terminal Services, Inc. (Innovative) for use of 716,046 square feet (16.44 acres) of paved land located at 690 New Dock Street, Terminal Island. The proposed Permit will yield \$2,586,906.60 in revenue the first year, subject to a fixed annual increase on July 1, 2022, with further adjustments applied on July 1, 2023, and annually thereafter based on the greater of Consumer Price Index (CPI-U) or two percent. The term of the Permit is three years, plus two one-year extension options exercisable by the Executive Director.

**RECOMMENDATION:**

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

1. Find that, in accordance with the provisions of the California Environmental Quality Act (CEQA) Guidelines Section 15164, the proposed Permit No. 952 will not result in any new significant environmental effects of substantially more severe effects than previously analyzed in the adopted Final Initial Study/Negative Declaration for the Innovative New Dock Chassis Depot Project;
2. Consider the Addendum to the previously adopted Final Initial Study/Negative Declaration for the Innovative New Dock Chassis Depot Project;
3. Authorize the Environmental Management Division to file a Notice of Determination with the Los Angeles County Clerk and the Los Angeles City Clerk;
4. Approve Permit No. 952 with Innovative Terminal Services, Inc.;
5. Authorize the Executive Director to Execute and the Board Secretary to attest to Permit No. 952; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – Innovative operates a chassis depot (start-stop facility) at 690 New Dock Street, Terminal Island (see Transmittal 1). In connection with these operations, Innovative occupies 450,810 square feet (10.35 acres) of paved land under Revocable Permit No. 16-40 and Space Assignment No. 19-07. Revocable Permits are subject to review by the Board in five-year intervals. Innovative's Revocable Permits is due for Board review at this time. Staff is recommending that the Revocable Permit and Space

**SUBJECT: APPROVE PERMIT NO. 952 WITH INNOVATIVE TERMINAL SERVICES, INC.**

Assignment are terminated in favor of the proposed Permit described herein. The proposed Permit would: 1) replace and consolidate the existing Revocable Permit and Space Assignment; 2) increase the size of the premises from 450,810 square feet to 716,046 square feet (16.44 acres); and 3) bring rental rates to fair market value.

As a result of the increase to rates and the size of the premises, rent would increase from the current \$1.3 million per year to an estimated \$2.6 million in the first year of the Permit, assuming a May 1, 2021, effective date.

Material terms of the Permit (Transmittal 2) are as follows:

<u>Provision</u>	<u>Description</u>								
Real Estate Entitlement	Term Permit								
Permitted Use	Cargo support, including but not limited to operation of a chassis depot, chassis repair and maintenance facility.								
Term	Three years								
Extension Options	Two one-year options exercisable by the Executive Director.								
Termination Rights	Tenant may delete up to 6 of the 16.44 acres with 30 days' notice, subject to compliance with restoration requirements.								
Premises	716,046 square feet (16.44 acres) of paved land  Note: 20,641 square feet of the total premises is designated as a fire lane which must remain clear, and as such, is excluded from the rental calculation below.								
Initial Monthly Rent	\$215,575.55								
Rent Adjustments	Rent would be adjusted per the schedule below.								
Rate Schedule	<table border="1"> <thead> <tr> <th>Date</th> <th>Per Square Foot/Month</th> </tr> </thead> <tbody> <tr> <td>Effective Date</td> <td>\$0.31</td> </tr> <tr> <td>July 1, 2022</td> <td>\$0.35</td> </tr> <tr> <td>July 1, 2023 and thereafter</td> <td>+ &gt;2% or CPI</td> </tr> </tbody> </table>	Date	Per Square Foot/Month	Effective Date	\$0.31	July 1, 2022	\$0.35	July 1, 2023 and thereafter	+ >2% or CPI
Date	Per Square Foot/Month								
Effective Date	\$0.31								
July 1, 2022	\$0.35								
July 1, 2023 and thereafter	+ >2% or CPI								
Rent Credits	\$36,000 as a one-time credit to offset Tenant costs for the environmental document entitling the project.								
Maintenance	Innovative is responsible for maintenance of all premises and compliance with all applicable laws, rules and regulations.								
Insurance	Standard insurance requirements would apply.								

**SUBJECT: APPROVE PERMIT NO. 952 WITH INNOVATIVE TERMINAL SERVICES, INC.**

Insurance	Standard insurance requirements would apply.
Security Deposit	Three times the monthly rent.
Other Terms	<p>The following items required by the Leasing Policy are excluded from the Permit; staff determined the commercial terms described herein provide sufficient coverage in lieu of these policy items:</p> <ul style="list-style-type: none"> <li>• 2% holdback on security deposit for port maintenance fund</li> <li>• Additional \$100,000 security deposit for environmental fund</li> </ul>

**ENVIRONMENTAL ASSESSMENT:**

In February 2021, the Harbor Department issued the Addendum ("Addendum") to the Innovative New Dock Chassis Depot Final Initial Study/Negative Declaration (Transmittal 3) and posted it on the POLA website under the Environmental Documents tab. This Addendum (Transmittal 3) was prepared pursuant to CEQA and revises the proposed project by expanding the proposed permit footprint and adding the new use of cargo handling support (storage container and handling). On November 5, 2020, the Board certified the Innovative New Dock Chassis Depot Final Initial Study/Negative Declaration which analyzed the expansion of the property operated as a chassis depot that provides for the storage, maintenance, repair, and stop/start functions at 960 New Dock Street, San Pedro.

According to Section 15164(b) of the state CEQA Guidelines, the Lead Agency may prepare an Addendum to an adopted Negative Declaration "if only minor technical changes or additions are necessary, or none of the conditions described in Section 15162 calling for a subsequent EIR or negative declaration have occurred." The Director of the Environmental Management Division has determined that none of the conditions set forth in CEQA Guidelines Section 15162 have occurred; therefore, an Addendum is the appropriate document. An Addendum does not need to be circulated for public review but can be included in or attached to the final Environmental Impact Report or adopted Negative Declaration per CEQA Guidelines Section 15164 (c). The Board is required to "consider" the Addendum with the final Environmental Impact Report or adopted Negative Declaration prior to making a decision on the Project per CEQA Guidelines Section 15164 (d).

The proposed action is approval of Permit No. 952 with Innovative Terminal Services for approximately 16.35 acres of property for a chassis depot that provides for the storage, maintenance, repair, and stop/start functions and cargo handling support uses which includes container storage and handling. Based on the findings of the Addendum, the proposed action would create no potential adverse impacts or substantial changes to impact areas previously analyzed in the Final IS/ND and therefore does not trigger any of the conditions calling for the preparation of a subsequent Environmental Impact Report or Negative Declaration under CEQA Guidelines Section 15162. With no new impacts or increased severity of environmental impacts, no mitigation is necessary.

SUBJECT: APPROVE PERMIT NO. 952 WITH INNOVATIVE TERMINAL SERVICES, INC.

**FINANCIAL IMPACT:**

Approval of the Permit will enable Innovative to occupy 716,046 square feet (16.44 acres) of paved land located at 690 New Dock St. over a three-year term with two one-year options exercisable by the Harbor Department. The proposed Permit will generate revenues of \$2,586,906.60 in Year 1 and \$2,865,068.60 in Year 2 with annual CPI increases beginning July 1, 2023, and annually thereafter.

The proposed Year 1 rent of \$2,586,906.60 represents a \$1,252,712.04, or 93.9 percent, increase relative to the \$1,334,194.56 in rent that was paid by Innovative under Revocable Permit 16-40 and Space Assignment 19-07 in calendar year 2020. This increase will occur due to a 58.8 percent increase in premises area and 25.7 percent increase in Year 1 rental rates under the proposed permit.

Under the proposed Permit, Innovative would be eligible to receive up to \$36,000 as a one-time credit to offset Tenant costs for the environmental document entitling the project.

**CITY ATTORNEY:**

Permit No. 952 was reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Permit Site Map
2. Permit No. 952
3. Addendum

FIS Approval: MB  
CA Approval: JS

*Marisa L. Katnich*  
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Director, Cargo & Industrial Real Estate

*Michael DiBernardo*  
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APPROVED:

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