



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE:** OCTOBER 1, 2020

**FROM:** CARGO INDUSTRIAL REAL ESTATE

**SUBJECT:** RESOLUTION NO. \_\_\_\_\_ - APPROVE PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION EIGHT, SPACE ASSIGNMENTS

**SUMMARY:**

Staff requests approval of amendments to Port of Los Angeles (Port) Tariff No. 4 (Tariff), Section Eight, which updates the Space Assignment rates, terms and conditions. Space Assignments are granted by the Executive Director for the use of covered areas, paved and unpaved land, and water space for non-exclusive use by current or new tenants on a short-term entitlement. The Space Assignment rates were last updated in October 2005 and are below current market rates. These amendments will increase the space assignment rates over the next several years to a market level by January 1, 2022, and then match any increases to the Consumer Price Index after 2022 with a minimum two percent increase every January 1.

Other changes include increasing the minimum charge, adding charges for fencing and utility use, and ensuring appropriate environmental review for each assignment. The first increase will take effect January 1, 2021, with set increases each January 1 thereafter.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined 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 City of Los Angeles CEQA Guidelines;
2. Approve amendments to Port of Los Angeles Tariff No. 4, Section Eight, Space Assignments, subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with the California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with the California Association of Port Authorities' procedure;
3. Adopt Permanent Order No. \_\_\_\_\_ to amend Port of Los Angeles Tariff No. 4, Section Eight, Space Assignments;
4. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the Amendments to Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
5. The Board Secretary shall certify to the adoption of this Order by the Board of Harbor Commissioners and shall cause the same to be published in a daily newspaper printed and published in the City of Los Angeles;

**SUBJECT: PERMANENT ORDER TO AMEND TARIFF NO. 4 SECTION EIGHT, SPACE ASSIGNMENTS**

6. After the effective date of the Ordinance, transmit the Permanent Order and Ordinance to the Executive Director or his nominee for implementation and posting to the Port of Los Angeles website as regulated by the Federal Maritime Commission; and
7. Adopt Resolution No. \_\_\_\_\_;

**DISCUSSION:**

Background and Context – Tariff No. 4, Section Eight, provides the Executive Director the authority to grant non-exclusive space assignments for the use of harbor lands and waters. These entitlements are granted to either current tenants inside or outside of their current leasehold, or to new assignees. They are issued for an initial term of 30 days and can be renewed as circumstances warrant.

Space Assignments are used for the assembly or storage of cargo, the storage of terminal-related equipment or chassis, or other cargo-related purposes. A space assignment cannot interfere with the prompt loading or discharge of vessels and can be revoked at any time by the Executive Director.

The rates currently charged for space assignments have been unchanged since October 2005. They currently fall far below market rates for land and warehouse (covered) space. Staff conducted a market study and concluded that the proposed rates are in line with values for comparable properties in the surrounding area under similar real estate entitlements, and as such, are the appropriate rates to implement at this time. Space Assignment rates will be evaluated routinely, and on an ongoing basis, through a market study to ensure that the rates continue to track market values for Port property. Any proposed future changes following such review would be presented to the Board in the same manner as this item.

This tariff change will bring the space assignment charges to market rate levels over time and then match with a minimum increase of two percent per year every January 1, rounded to the nearest penny per square foot, starting after calendar year 2022. There will be a minimum annual increase of one cent (\$0.01) for each type of the four types of space assignment area. The current updates and proposed schedule for space assignment rates will not be part of any future General Rate Increases.

The proposed rate schedule is as follows:

Space Assignment Rate Schedule  
(Rates in Cents per Sq. Ft. per 30-day Period)

Type of Area	Current Rate	Effective Date	
	10/29/2005	1/1/2021	1/1/2022
Covered	36	65	70
Uncovered, paved	17	31	35
Uncovered, unpaved	15	28	32
Water Area	6	11	12

**SUBJECT: PERMANENT ORDER TO AMEND TARIFF NO. 4 SECTION EIGHT,  
SPACE ASSIGNMENTS**

Further changes and additions to the section include:

- Update the minimum charge for a space assignment from \$497.70 to \$750 per 30-day period. The current minimum rate has also been unchanged since October 2005. The minimum charge will be linked to any CPI changes starting January 1, 2023.
- Add a rate of \$2.10 per linear foot per month for any fenced space assignment area where the fencing is provided by the Port. This is equal to the rate of the Port of Long Beach and will be linked to any CPI changes starting January 1, 2023.
- Adding a rate of \$.03 per square foot per month when lighting is provided by the Port. This is equal to the rate of the Port of Long Beach and will be linked to any CPI changes starting January 1, 2023.
- Updating Note 1 to clarify that payment for all charges are due in advance on the first day of the 30-day period unless the assignee is on the Port's Credit List.
- Part (4) of Section 800 is updated to ensure that property in a space assignment area must be stored, stacked, palletized or high piled in a manner that meets all applicable local, state and federal laws, rules and regulations, including environmental review. In addition, the Executive Director will have the right to access, inspect, examine and to review all property placed on wharf premises under a space assignment.

Need for Approval – A separate action recommends Board adoption of a Temporary Order within its Los Angeles City Charter authority to approve changes to Tariff No. 4, to be effective for a period not to exceed 90 days. This action for Board and City Council adoption of a Permanent Order (Transmittal 1) and Ordinance (Transmittal 2) are required under the Charter to make changes to Tariff No. 4 (Transmittal 3) beyond the Temporary Order's 90-day effective period.

In addition, a docket proposal including this tariff change was submitted to the California Association of Port Authorities (CAPA) Committee on Tariffs and Practices in accordance with the procedures approved by CAPA members. A unanimous vote of the members supporting this tariff change has been confirmed.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Permanent Order to amend to Port Tariff No. 4, Section Eight, Space Assignments, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

SUBJECT: PERMANENT ORDER TO AMEND TARIFF NO. 4 SECTION EIGHT,  
SPACE ASSIGNMENTS

FINANCIAL IMPACT:

Approval of the proposed amendment will increase space assignment rates effective January 1, 2021 on covered, uncovered, and water areas by more than 80 percent relative to the space assignment rates currently charged on those property types. Effective January 1, 2022, rate increases will range from 7.5 percent to 14.5 percent with formulaic, scheduled increases occurring every January 1 thereafter. Approval of the proposed amendment is anticipated to increase City of Los Angeles Harbor Department (Harbor Department) revenues by \$70,000 in calendar year 2021 and \$20,000 in calendar year 2022.

The financial impact of this tariff change is limited due to ongoing efforts to shift tenants from space assignments to less temporary property entitlements, including Revocable Permits. By early 2021, most space assignments currently in place as of October 2020 are expected to be terminated. In the next several years, as new rates are phased in, new space assignments will more closely approximate market rates for Port property and will provide the Harbor Department with revenues commensurate with Harbor Department policies on the value of land and property.

CITY ATTORNEY:

The Office of the City Attorney has approved the proposed Permanent Order and the proposed Ordinance as to form and legality.

TRANSMITTALS:

1. Permanent Order
2. Ordinance
3. Tariff No. 4 Section Eight, Item Nos. 800 and 810

FIS Approval: MB  
CA Approval: [Signature]

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