



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 8, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE THE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 07-15 WITH AL LARSON BOAT SHOP

SUMMARY:

Staff requests approval of the First Amendment to Revocable Permit No. 07-15 between Al Larson Boat Shop (ALBS) and the City of Los Angeles Harbor Department (Harbor Department). The proposed First Amendment adds 58,500 square feet of paved land to the premises located at 1046 Seaside Avenue on Terminal Island. As a result of this Amendment, monthly rent would increase from \$30,136 to \$36,136.

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 generally and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 1 and Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the First Amendment to Revocable Permit No. 07-15 with Al Larson Boat Shop;
3. Find that entering into this Amendment is in the best interest of the City of Los Angeles despite exception to the City of Los Angeles Harbor Department's Leasing Policy, Section VIII concerning the rate of return policy;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Revocable Permit No. 07-15; and
5. Adopt Resolution No. _____.

SUBJECT: APPROVE THE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 07-15 WITH AL LARSON BOAT SHOP

DISCUSSION:

Under RP No. 07-15, ALBS uses and occupies 199,619 square feet of Harbor Department property at 1046 Seaside Avenue on Terminal Island for purposes of operating a ship building and repair facility. The current monthly rent for the premises is \$30,136.00 per month. In October 2020, following a field audit, staff notified ALBS that it was using and occupying an additional 58,500 square feet of paved land located outside of the Revocable Permit’s premises (Amendment Premises). See area in red on Transmittal 1. ALBS uses the Amendment Premises for employee parking and storage of materials. The utility of the Amendment Premises is constrained given the area’s configuration and sharply curved western border, making private vehicle parking and storage the only compatible uses. As such, staff recommends amending the Revocable Permit to add the area to ALBS’s premises.

The proposed Amendment adds 58,500 square feet to the Revocable Permit’s premises, and increases rent by \$6,000, from \$30,136 to \$36,136 per month. Provided below is a table summarizing rent before and after the proposed amendment. The additional \$6,000 per month was a rate negotiated by the parties in the interest of resolving this matter without pursuing available legal remedies to recover possession of the property. Following resolution of the premises issues described herein, staff will commission an appraisal to be used in connection with resetting compensation in 2022 in accordance with the Section 607 of the Los Angeles City Charter.

Material Terms of the proposed First Amendment (Transmittal 2) are provided below:

Provision	Description	
Premises (in square feet)	<u>Before Amendment</u>	
	Land 92,620	<u>After Amendment</u>
	Water 106,999	Land 151,120 Water No change
Premises Modifications for Port Construction	Language added to allow the Harbor Department to temporarily reduce the premises for purposes of conducting demolition and construction activities in the future	
Monthly Rent	<u>Before Amendment</u>	
	\$30,136	<u>After Amendment</u> \$ 36,136

SUBJECT: APPROVE THE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 07-15 WITH AL LARSON BOAT SHOP

ENVIRONMENTAL ASSESSMENT:

The proposed action is for approval of a First Amendment to RP 07-15, which would include addition of 58,500 square feet of land to ALBS' premises and an increase to ALBS's monthly rent for continued use as employee parking and storage of materials. This approval of a First Amendment to RP 07-15 is an activity that can be seen with certainty to have no possibility of a significant effect on the environment, and an activity that involves the issuance of any permit to use an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is generally and categorically exempt from the requirements of CEQA in accordance with Article II Section 1 and Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Provided below is a table summarizing rent before and after the proposed amendment. The additional \$6,000 per month is a negotiated amount, which does not reflect current market values for this property, estimated to be \$0.30 per square foot per month. As such, the proposed initial monthly increase would represent a deviation from the Harbor Department's Leasing Policy. However, this deviation from the Harbor Department's Leasing Policy may be justified given that the proposed Amendment resolves the long-standing property issues, and that staff plans to follow with a comprehensive appraisal for the overall site this calendar year for purposes of resetting compensation in accordance with the City Charter.

	Square Feet		Monthly Rent	Blended Rate/SF Rent/Mo.
Current	Land	92,620	\$30,136	\$0.151/sf
	Water	106,999		
Amended Revocable Permit	Land	151,120	\$36,136	\$0.140/sf
	Water	106,999		

DATE: FEBRUARY 8, 2022

PAGE 4 OF 4

SUBJECT: APPROVE THE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 07-15 WITH AL LARSON BOAT SHOP

CITY ATTORNEY:

The First Amendment to Revocable Permit No. 07-15 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. First Amendment to Revocable Permit 07-15

FIS Approval: MB
CA Approval: SO

Marisa L. Katnich
MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director

ES:MD:MK:PA:TP:raw
Author: Tom Patton
BL916raw Larson Amendment