



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the

Board of Harbor Commissioners

DATE: NOVEMBER 12, 2015

FROM: WATERFRONT AND COMMERCIAL REAL ESTATE

**SUBJECT: ORDER NO. _____ – RESETTING COMPENSATION
UNDER PERMIT NO. 724 WITH THE LOS ANGELES YACHT CLUB**

SUMMARY:

The Waterfront and Commercial Real Estate Division recommends the Board of Harbor Commissioners (Board) approve the Order resetting compensation for Permit No. 724 between the Los Angeles Yacht Club (LAYC) and the City of Los Angeles Harbor Department (Harbor Department) for the operation and maintenance of a yacht club located in the Outer Harbor, San Pedro. Permit No. 724 has a 30-year term that commenced on March 4, 1993 and will expire on March 3, 2023. Consistent with the terms and conditions of Permit No. 724 that compensation be reset every five years, the proposed Order recommends that compensation be reset for the 2013-2018 period on a graduated annual scale ranging from \$2,455.65 in 2013 to \$2,890.61 in 2015, and adjusted by Consumer Price Index (CPI) annually for the remainder of the compensation period.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the proposed action is 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 for the period of March 4, 2013 through March 3, 2018 under Permit No. 724;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 724; and
4. Adopt Order No. _____.

DISCUSSION:

Background – Permit No. 724 grants LAYC the use of Harbor Department land consisting of approximately 15,687 square feet (s.f.) for the construction, operation, and maintenance of a yacht club center with small vessel dry storage in San Pedro (Transmittal 1). A small portion of the premises (200 s.f.) is provided at no charge for a flag pole pedestal to display the American flag. As required by the terms and conditions of Permit No. 724, and in compliance with Section 607 of the City Charter, it is necessary to reset compensation for the five-year period of March 4, 2013 through March 3, 2018. The delay in resetting the compensation was due to several factors which include Harbor Department staff changes and ongoing discussions with the tenant about their future business objectives and opportunity at the Cabrillo Way Marina.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 724

Current Compensation – On June 24, 2010, the Board approved Order No. 10-7058 establishing the compensation for the periods between March 4, 2003, and March 3, 2013. Additionally, Order No. 10-7058 set the payment of gross receipts at 0 percent and established a baseline rent that has been adjusted annually on January 1 by the Consumer Price Index (CPI) such that it shall not exceed 4 percent, or go below 2 percent. The payment of such gross receipt percentages was removed because LAYC's operations rarely exceeded the minimum monthly compensation amount, and thus participation in the gross receipt sales provided little benefit to the Harbor Department.

Annual compensation is currently \$30,658.32 (\$2,554.86 monthly) based on the CPI adjusted 2013 annual compensation amount of \$29,467.80 (\$2,455.65 monthly) set by Order No. 10-7058, as depicted in the chart.

Period	Rent \$/Year	Rent \$/Month	Increase
Jan 1, 2013 – Dec 31, 2013	\$29,467.80	\$2,455.65	2%
Jan 1, 2014 – Dec 31, 2014	\$30,057.12	\$2,504.76	2%
Jan 1, 2015 – Mar 3, 2015	\$30,658.32	\$2,554.86	2%

Proposed Compensation – Staff initiated this past due negotiation in March 2015. It is proposed that for the period of March 4, 2013 through March 3, 2015, that compensation amounts remain at the paid rates, which are based on the March 3, 2013 rate set by Order No. 10-7058, increased by 2 percent annually. For the period beginning March 4, 2015 through March 3, 2018, it is proposed that annual compensation be set based on a CPI adjusted 2013 market land value at \$34,687.32 (\$2,890.61 monthly). The 2013 market value was based on a \$22 per square foot land value, and the Board policy 10 percent rate of return (Transmittal 2).

Staff recommends that the Board approve the proposed Order (Transmittal 2) to set compensation under Permit No. 724 for the period of March 4, 2013 through March 3, 2018.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under Permit No. 724 with LAYC. As an administrative activity, the Director of Environmental Management has determined that the proposed action is 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:

Approval of the proposed compensation reset results in rental compensation to the Harbor Department of \$94,509.50 for the period March 4, 2013 through March 3, 2016, and annual payments increased, with a floor of zero percent, by CPI thereafter through March 3, 2018.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 724

CITY ATTORNEY:


The Order resetting compensation under Permit No. 724 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

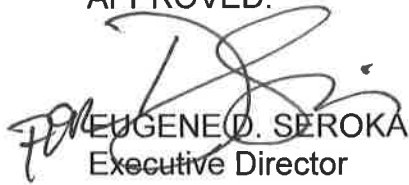
- 1. Site Map
- 2. Proposed Order

FIS Approval: MB (initials)
CA Approval: JK (initials)


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

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