



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 10, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 19-17 WITH SO. CAL. SHIP SERVICES, A CALIFORNIA CORPORATION

SUMMARY:

Staff requests approval of Revocable Permit (RP) No. 19-17 with So. Cal. Ship Services (SCSS) for a month-to-month term not to exceed 24 months for 26,500 square feet of paved yard and 16,371 square feet of warehouse space on Barracuda Street, and 50,311 square feet of paved land on South Seaside Avenue, Terminal Island. SCSS provides water taxi and land-based logistical support for offshore oil platforms. RP No. 19-17 will yield \$277,136.64 in revenue to the City of Los Angeles Harbor Department (Harbor Department) in the first year, with scheduled rent step increases incorporated throughout the 24-month term.

RECOMMENDATION:

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

1. Consider the Addendum to the previously adopted Final Initial Study/Mitigated Negative Declaration for the So. Cal. Ship Services Project;
2. Find that, in accordance with the provisions of the California Environmental Quality Act Guidelines Section 15164, the proposed RP No. 19-17 will not result in any new significant environmental effects or substantially more severe effects than previously analyzed in the adopted Final Initial Study/Mitigated Negative Declaration for So. Cal. Ship Services 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 Revocable Permit No. 19-17 with So. Cal. Ship Services;
5. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 19-17 upon approval by the Board; and
6. Adopt Resolution No. _____.

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DISCUSSION:

Background – SCSS provides water taxi and land-based logistical support for offshore oil platforms at premises on Terminal Island governed by Permit No. 830, which is currently on holdover. SCSS also occupies additional, supplemental areas under Space Assignments (i.e. use agreements governed by Tariff No. 4), and seeks to continue its occupancy of these areas through the proposed RP (Transmittal 1).

Proposed Consolidation of Real Estate Entitlements

The RP would replace and consolidate the following Space Assignments:

- Space Assignment Nos. 08-19, 08-20, and 11-14, which terminated in July 2019, covered a supplemental parking area that is adjacent to South Seaside Avenue. See Parcel Nos. 1 - 3 on Transmittal 2. These Space Assignments could not be renewed prior to the Board's approval of the Addendum to the Final Initial Study/Mitigated Negative Declaration included in this action. As a condition to the effectiveness of the RP, SCSS paid all retroactive rent due from its occupancy of this area from July 19, 2019, until April 30, 2020, in the amount of \$80,682.07. Amounts due as of May 1, 2020, and thereafter would be invoiced under the proposed RP.
- Space Assignment Nos. 17-36 and 17-37 cover the supplemental warehouse and paved yard at Barracuda Street and would be terminated following the Board's approval of the proposed RP. See Parcels Nos. 4 and 5 on Transmittal 2. (Note: There is an area within Parcel 4 that is unusable due to its elevation and is not part of the premises under consideration.)

With respect to SCSS's Permit No. 830 for its primary facility, staff is currently negotiating a replacement permit that will be forthcoming for the Board's consideration and may include portions of the premises covered under this proposed RP in addition to those entitled under Permit No. 830.

Background on Proposed Rates

The subject parcels were entitled as Space Assignments, which are subject to the rates in the Tariff: \$0.17 per square foot per month (PSFPM) for paved land and \$0.36 PSFPM for warehouse buildings. The Tariff rates date back to 2005 and are lower than current market rates for comparable locations: approximately \$0.35 PSFPM for paved land and \$0.65 for warehouse buildings. The proposed RP addresses the need for a rate increase to better reflect the market, but does so in a step-up fashion, with graduated rent increases over the term to allow SCSS time to make budget adjustments. Further, Parcels Nos. 1 through 3 are regulated by the Department of Toxic Substances Control and the United States Environmental Protection Agency, and are subject to a land use covenant, which significantly limits utility of the property; the rates for these parcels take into account these restrictions.

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

<u>Provisions</u>	<u>Description</u>																								
Real Estate Entitlement	Revocable Permit																								
Permitted Use	Employee parking and storage of piping material and associated oil platform operations materials																								
Term	Month-to-Month, not to exceed twenty-four (24) months																								
Termination Rights	Either party may terminate with 30 days' written notice																								
Effective Date	May 1, 2020																								
Premises	Parcel 1: 9,978 SF (Paved Land) Parcel 2: 22,172 SF (Paved Land)) Parcel 3: 18,161 SF (Paved Land) Parcel 4: 26,500 SF (Paved Land) Parcel 5: 16,371 SF (Warehouse)																								
Parcel Removal	Either party may terminate any parcel included in the Premises with 30 days' prior written notice to the other. Note: Staff has informed the tenant that the warehouse located in Parcel 5 is slated for demolition, and as such, Parcel 4 and Parcel 5 will likely be deleted from the premises within the two-year term.																								
Initial Monthly Rent	\$ 18,951.43																								
Rent Adjustments	Provided the Revocable Permit is not sooner terminated, rent would be adjusted per the schedule below.																								
Rate Schedule (PSFPM)	<table border="1"> <thead> <tr> <th></th> <th><u>Parcels 1-3</u> <u>(Paved Land with use restrictions)</u></th> <th><u>Parcel 4</u> <u>(Paved Land without use restrictions)</u></th> <th><u>Parcel 5</u> <u>(Warehouse)</u></th> </tr> </thead> <tbody> <tr> <td>Effective Date</td> <td></td> <td></td> <td></td> </tr> <tr> <td>May 1, 2020</td> <td>\$0.17</td> <td>\$0.17</td> <td>\$0.36</td> </tr> <tr> <td>Oct 1, 2020</td> <td>\$0.19</td> <td>\$0.24</td> <td>\$0.46</td> </tr> <tr> <td>Jan 1, 2021</td> <td>\$0.24</td> <td>\$0.28</td> <td>\$0.52</td> </tr> <tr> <td>Jan 1, 2022</td> <td>\$0.30</td> <td>\$0.35</td> <td>\$0.64</td> </tr> </tbody> </table>		<u>Parcels 1-3</u> <u>(Paved Land with use restrictions)</u>	<u>Parcel 4</u> <u>(Paved Land without use restrictions)</u>	<u>Parcel 5</u> <u>(Warehouse)</u>	Effective Date				May 1, 2020	\$0.17	\$0.17	\$0.36	Oct 1, 2020	\$0.19	\$0.24	\$0.46	Jan 1, 2021	\$0.24	\$0.28	\$0.52	Jan 1, 2022	\$0.30	\$0.35	\$0.64
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Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense
Insurance	Includes all standard insurance provisions and requirements
Property as-is	Tenants accepts property in as-is condition, and acknowledges portions of the Premises are subject to a land use covenant
Security Deposit	Two months' rent in the form of a letter of credit or cash

ENVIRONMENTAL ASSESSMENT:

In May 2020, the Harbor Department issued the Addendum ("Addendum") to the So. Cal. Ship Services Permit Renewal Final Initial Study/Mitigated Negative Declaration (Transmittal 3) and posted it on the POLA website under the Environmental Documents tab. This Addendum was prepared pursuant to CEQA and revises the proposed project by making minor alterations to their proposed permit footprint and development area, as well as clarifies their permit duration. On September 6, 2018, the Board certified the So. Cal. Ship Services Permit Renewal Final Initial Study/Mitigated Negative Declaration, which analyzed the use of the So. Cal. Ship Services properties located on South Seaside Avenue and Barracuda Street to continue to serve both the Port of Los Angeles and the Port of Long Beach with water transport of materials, supplies, and personnel and land-based logistical support of offshore oil platforms and tank vessels.

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 Revocable Permit No. 19-17 with So. Cal. Ship Services for employee parking and storage of piping material and associated oil platform operations materials. 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/MND 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.

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FINANCIAL IMPACT:

Approval of proposed RP No. 19-17 will enable SCSS to occupy 16,371 square feet of warehouse space and 76,811 square feet of paved land over no more than a 24-month term and will generate annual rent of \$277,136.64 in the first year and \$363,443.44 in the second year, incorporating fixed step increases at months 6, 9, and 21. The proposed Year 1 rent of \$277,136.64 represents a \$49,719.48, or 21.86 percent, increase relative to the annual rent which would have been received at the current space assignment rates. The proposed rent implies an average monthly rent of \$23,094.72 in the first year and average monthly rent of \$30,286.95 in the second year, a 31.14 percent increase. In addition to accepting the rental step increases over the term of the proposed RP, SCSS has also agreed to pay retroactive rent in the amount of \$80,682.07 due from its occupancy of the parking area from July 19, 2019, until April 30, 2020.

CITY ATTORNEY:

Revocable Permit No. 19-17 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Revocable Permit
3. Addendum

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Director, Cargo & Industrial Real Estate

FIS Approval: *MB*
CA Approval: *SD*
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APPROVED:

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