

DATE: SEPTEMBER 20, 2016

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 16-16 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND FAST LANE TRANSPORTATION, INC.

SUMMARY:

Staff requests approval of Revocable Permit (RP) No. 16-16 with Fast Lane Transportation, Inc. (Fast Lane), which stores, repairs, and processes containers for most major container leasing companies, shipping lines, and railroads in and around the Ports of Los Angeles and Long Beach. Fast Lane operates on approximately 50 acres of land, some of which is currently leased to Fast Lane by the City of Los Angeles Harbor Department (Harbor Department).

The proposed action will grant RP No. 16-16 to Fast Lane for use of 104,512 square feet (2.40 acres) of Harbor Department property for the storage of containers, which is currently in use by Fast Lane under a space assignment. The proposed premises are within close proximity to Fast Lane's other premises on Pacific Coast Highway in east Wilmington.

Annual revenue in the first year will be \$184,986.24 and will have stepped rent increases over the first two years administered at six-month intervals. The rental rate will be increased 74 percent over three years, after which rent will be adjusted annually by the Consumer Price Index (CPI-U).

RECOMMENDATION:

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

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the proposed Revocable Permit No. 16-16 with Fast Lane Transportation, Inc.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Revocable Permit; and
4. Adopt Resolution No. _____.

SUBJECT: REVOCABLE PERMIT WITH FAST LANE TRANSPORTATION, INC.

DISCUSSION:

Background/Context: Fast Lane currently stores containers and/or chassis at five locations on Harbor Department property in Wilmington, as well as on their own premises which are in close proximity. Total land area presently utilized by Fast Lane under three RPs totals 201,708 square feet (4.63 acres). Fast Lane currently also occupies 277,088 square feet (6.36 acres) under Space Assignments, of which one (104,512 square feet – 2.40 acres) will be replaced by this proposed RP. The other Space Assignment (172,576 square feet – 3.96 acres) is for a three-month period that will be terminated in favor of the site being used by the Construction Division for the crushing and storage of asphalt and concrete aggregate from Port-related construction projects.

Summary of Significant Permit Terms

Effective Date: The month-to-month RP (Transmittal 1) will be effective upon execution by the Executive Director and revocable upon 30 days' written notice.

Premises: 104,512 square feet (2.40 acres) of gravel covered land.

Use: Storage of containers.

Location: Just south of the Vopak and Praxair facilities near Pacific Coast Highway and west of the Terminal Island Freeway in Wilmington, CA.

Compensation: \$14,109.12 per month upon the effective date, with four additional rent increases scheduled every six months. Upon commencement of the third year, rent will be increased annually via the CPI-U Los Angeles-Riverside-Orange County. Annual income will be \$184,986.24 in the first year and \$247,693.44 in the second year.

ENVIRONMENTAL ASSESSMENT:

Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;

SUBJECT: REVOCABLE PERMIT WITH FAST LANE TRANSPORTATION, INC.**FINANCIAL IMPACT:**

Rent as of the effective date will be \$1.62 per square foot per year, with an increase of \$0.30 per square foot per year every six months until year two, as summarized below.

FAST LANE TRANSPORTATION COMPENSATION SCHEDULE		RENTAL RATE SF/YEAR	RENTAL RATE SF/MONTH	% CHANGE
RENTAL RATE UPON PERMIT COMMENCEMENT		\$ 1.62	\$ 0.135	
YR .5	+ 6 MONTHS	\$ 1.92	\$ 0.160	18.52%
YR 1	+ 6 MONTHS	\$ 2.22	\$ 0.185	15.63%
YR 1.5	+ 6 MONTHS	\$ 2.52	\$ 0.210	13.51%
YR 2	+ 6 MONTHS	\$ 2.82	\$ 0.235	11.90%
TOTAL CHANGE AFTER FOUR STEP INCREASES:		\$ 1.20	\$ 0.224	74.07%

*CPI-U ADJUSTMENT BEGINNING IN YEAR 3 AND ANNUALLY THEREAFTER.

Total rent under the proposed RP for the first three years would be \$727,403.52, as shown below:

TIME PERIOD	RATE/SF	PERIODIC RENT	ANNUAL RENT
EFFECTIVE DATE	\$ 1.62	\$ 84,654.72	
YR .5	\$ 1.92	\$ 100,331.52	\$ 184,986.24
YR 1	\$ 2.22	\$ 116,008.32	
YR 1.5	\$ 2.52	\$ 131,685.12	\$ 247,693.44
YR 2	\$ 2.82	\$ 294,723.84	\$ 294,723.84
TOTAL RENT FIRST THREE YEARS:			\$ 727,403.52

As the proposed RP will replace the space assignment Fast Lane is currently occupying, \$190,734.40 in annualized revenue will be replaced with revenue under the RP.

DATE: SEPTEMBER 20, 2016

PAGE 4 OF 4

SUBJECT: REVOCABLE PERMIT WITH FAST LANE TRANSPORTATION, INC.

CITY ATTORNEY:

The proposed RP has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTAL:

1. Revocable Permit No. 16-16



JACK C. HEDGE
Director of Cargo & Industrial Real Estate


APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:JH:PA:mmm
Author: Paul Andre
BL606mnm Fast Lane RP

FIS Approval:  (Initials)
CA Approval:  (Initials)



MICHAEL DiBERNARDO
Deputy Executive Director