



Executive Director's  
Report to the

Board of Harbor Commissioners

DATE: JULY 10, 2013

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF THE PORT OF  
LOS ANGELES LEASING POLICY

**SUMMARY:**

The Port of Los Angeles Leasing Policy (Leasing Policy) supports the Strategic Plan while reinforcing consistency with other Board approved policies, the Los Angeles City Administrative Code, Los Angeles City Charter, the California Coastal Act, the State Lands Commission – Public Trust Doctrine, Tariff No. 4, the Port Master Plan, and the State Tidelands Trust Grant (Tidelands Trust). The Leasing Policy applies to all of the varied types of property use agreements involving the use and occupancy of land, submerged land, buildings, and other real property assets and is intended to provide a framework for the City of Los Angeles Harbor Department's (Harbor Department) internal use in making leasing decisions, increasing efficiency, and achieving consistency and transparency, as they relate to the following:

- a) Development of new property use agreements; and
- b) Modifications to existing property use agreements.

**RECOMMENDATION:**

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

1. Approve and adopt the Port of Los Angeles Leasing Policy; and
2. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – The Harbor Department administers nearly 300 property agreements throughout the Harbor District. The types of agreements include concession agreements, leases, operating agreements, orders, permits, revocable permits, temporary entry and use permits, and other agreements. Approximately 45 percent of all agreements, covering an estimated 80 percent of the Harbor Department's assets, are considered long-term, i.e., more than five years. The remainder is either short-term (five years or less) or revocable (month-to-month). For the purpose of the Leasing Policy (Transmittal 1), all agreements will be referred to as "lease agreements."

**SUBJECT: PORT OF LOS ANGELES LEASING POLICY**

The Board adopted the current leasing policy and procedures document in 2006. Since that time, a variety of changes have occurred:

- A "Performance Audit of the Port of Los Angeles Real Estate Division" (Performance Audit) was conducted in 2011;
- The Port of Los Angeles 2012-2017 Strategic Plan (Strategic Plan) was approved in May 2012; and
- In June 2012, the Real Estate Division was reorganized to direct the focus of operations toward property management to better support the Harbor Department's needs. In light of the above activity and other changes impacting Harbor Department operations, now is the ideal time to implement a new Leasing Policy to replace the current document, which was last addressed more than six years ago.

The draft policy document was circulated and shared with Division Heads, Senior Executive Staff, tenants and other stakeholders to solicit input and feedback prior to submittal to the Board of Harbor Commissioners. Edits were made to the Leasing Policy in response to feedback received from the parties where appropriate.

This revised policy is changed from the previous policy in several ways. First, it explicitly recognizes the link to other Harbor Department and City policies, as well as the Harbor Department's Strategic Plan and other Harbor Department initiatives. It achieves this through reference and by explicit policy statements which call for a specific measure (i.e. calling for specific target returns on leased property). This policy recognizes and spells out the need for periodic review of market values and updating to pricing for various types of real property assets (i.e. waterfront, backlands, submerged lands, etc.). This policy also specifically requires that any deviation from stated policy requirements must be brought before the Board for specific action and approval. Finally, this policy strips out all reference to procedures, as such internal mechanics of processing transactions is procedural, not policy. Nonetheless, new lease administration and compliance procedures will be developed following adoption of the Leasing Policy and will address findings identified in the 2011 Performance Audit.

Implementation of the Leasing Policy will help to safeguard the Harbor Department's assets, revenues and credibility and will minimize risk exposure. It is anticipated that the Leasing Policy will be reviewed and updated at least every five years following the adoption.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the proposed Port of Los Angeles Leasing Policy. 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.

SUBJECT: PORT OF LOS ANGELES LEASING POLICY

ECONOMIC BENEFITS:

This Board action will have no employment effect.

FINANCIAL IMPACT:

Adoption of this Leasing Policy will provide a framework for leasing decisions for new property agreements and modifications to existing property agreements and does not have a direct fiscal impact on the current year's budget.

CITY ATTORNEY:

The Office of the City Attorney reviewed and provided comments on the subject policy documents.

TRANSMITTAL:

1. Leasing Policy



JACK C. HEDGE  
Director of Real Estate

APPROVED:



GERALDINE KNATZ, Ph.D.  
Executive Director

FIS Approval:  (initials)  
CA Approval:  (initials)



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Deputy Executive Director