



DATE: JANUARY 20, 2021

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE PERMIT NO. 951 WITH
PORT MAINTENANCE GROUP, INC.**

SUMMARY:

Staff requests approval of Permit No. 951 (Permit) with Port Maintenance Group, Inc. (PMG) for use of 100,625 square feet of paved land, 29,400 square feet of warehouse area, and 3,884 square feet of covered area (133,909 square feet in total) located at 921 New Dock Street, Terminal Island. The site will be operated as a chassis repair and maintenance facility. The proposed Permit will yield \$552,925.80 in revenue in the first year, subject to fixed annual increases for Years 2 and 3 of 10.3 percent and 2.6 percent, respectively, with further adjustments in Years 4 and 5 based on the Consumer Price Index (CPI-U). The total term of the Permit will not exceed five years.

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 has been previously evaluated pursuant to the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Authorize the Environmental Management Division to file a Notice of Determination with the Los Angeles County Clerk and the Los Angeles City Clerk;
3. Approve Permit No. 951 with Port Maintenance Group, Inc.;
4. Authorize the Executive Director to Execute and the Board Secretary to attest to Permit No. 951; and
5. Adopt Resolution No. _____.

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DISCUSSION:

Background – PMG operates a chassis repair and maintenance facility at 921 New Dock Street, Terminal Island (i.e. backland at Berths 206-209). See Transmittal 1. In connection with this operation, PMG currently occupies 29,540 square feet of warehouse area, and 124,282 square feet of paved land (153,822 square feet in total) under a Space Assignment which dates back to 2016.

The proposed Permit, which will replace the existing Space Assignment, arises from a 2017 Request for Proposal for the operation of chassis depots and/or chassis repair/maintenance facilities at the Port of Los Angeles. Off-dock facilities, such as the one proposed, improve terminal velocity by freeing up space on the terminals that would otherwise be used for chassis maintenance, so that marine terminal operators can operate more efficiently. As such, it is ideal to locate these types of facilities off-terminal, when possible.

The proposed Permit would reduce the area currently covered under the existing Space Assignment by 19,913 square feet from 153,822 square feet currently to 133,909 square feet as proposed. In addition, the proposed Permit would increase monthly rent. Under existing Space Assignment rates of \$0.17 per square foot per month (pspfm) for paved land, and \$0.36 pspfm for covered area, rent on the proposed 133,909 square foot premises would be \$29,088.49 per month, or \$349,061.88 per year. If approved, Year 1 revenues under the proposed Permit would be \$46,077.15 per month, or \$552,925.80 per year, an increase of \$203,863.92 (58.4 percent) relative to existing Space Assignment rates.

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

<u>Provisions</u>	<u>Description</u>
Real Estate Entitlement	Permit
Permitted Use	Operation of chassis repair and maintenance facility.
Term	Three years
Extension Options	Two-consecutive one-year extension options exercisable by the Harbor Department.
Early Termination	PMG may terminate the Permit at any time with 90 (ninety) days' written notice.

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Premises	Parcel 1 - Paved land Area: 49,353 Square Feet Parcel 2 - Paved land Area: 51,272 Square Feet Parcel 3 - Warehouse Area: 29,400 Square Feet Parcel 4 - Covered Land Area: 3,884 Square Feet
Rent for Initial Term	Year 1: \$553K Year 2: \$610K Year 3: <u>\$626K</u> Total: \$1.789M
Rent Adjustments	CPI adjustments at the commencement of option periods with a minimum of a 2 percent increase.
Rent Credit	PMG will be entitled to a maximum rent credit in the amount of \$55,000.00 over the term of the Permit for permanent, value increasing improvements made to the property such as fencing and roll-up door repair.
Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense with the exception of the roof (gutters excluded) and the fire suppression system.
Insurance	Insurance provision includes all standard insurance requirements
Security Deposit	3 months' rent in the form of a letter of credit or cash.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Permit with PMG for the operation of a chassis repair and maintenance facility at 921 New Dock Street, which is an activity for which the underlying project has been previously assessed in Berths 206-209 the Chassis Depot and Repair Facilities Berths Initial Study/Negative Declaration (SCH# 2019049132), which was certified by the Board on July 11, 2019. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the Permit will allow PMG to occupy 100,625 square feet of paved land, 29,400 square feet of warehouse area, and 3,884 square feet of attached canopy covered land (133,909 square feet in total) over a 60-month term and will generate annual rent of \$552,925.80 in the first year, \$610,146.12 in the second year, and \$626,215.20 in the third year, with annual CPI increases thereafter.

The proposed Year 1 rent of \$552,925.80 represents a \$203,863.92, or 58.4 percent, increase relative to the rent which would have been charged for this same premises at existing Space Assignment rates. The proposed annual rental amounts imply average monthly rents of \$46,077.15 in the first year, \$50,845.51 in the second year, and \$52,184.60 in the third year, increases of 58.4 percent, 10.3 percent and 2.6 percent, respectively.

Under the proposed Permit, PMG would be eligible to receive up to \$55,000 in rent credits for costs incurred by PMG to replace roll down doors, install perimeter fencing, paint improvements, repair an electrical sub-meter and make general site improvements which will have a useful life beyond the term of the proposed Permit.

CITY ATTORNEY:

Permit No. 951 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Permit

FIS Approval: MB
CA Approval: G

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Director, Cargo & Industrial Real Estate

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APPROVED:

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