



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 1, 2016

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE SUCCESSOR
PERMIT NO. 912 WITH CHAE WON PARK AND SU JA PARK**

SUMMARY:

Staff recommends approval of Permit No. 912 (Permit) with Chae Won Park and Su Ja Park (Park) to succeed Revocable Permit No. 91-19 (RP 91-19). The Permit will acknowledge the existing sublease under RP 91-19 to Chong S. Chang. The successor Permit has a term of five years (January 1, 2016 – December 31, 2020) and is for a retail operation on Terminal Island, which provides an important maritime support function to nearby tenants and others in the Terminal Island area.

Under the Permit, the initial monthly rent of \$856 will be effective retroactively to January 1, 2016, with two fixed rental increases within the first 15 months of the five-year term until reaching the market rent of \$1,448. Thereafter, the market rent will be subject to an annual Consumer Price Index (CPI) escalator for the remaining term.

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 Section 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Permit No. 912 with Chae Won Park and Su Ja Park;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 912; and
4. Adopt Resolution No. _____.

SUBJECT: PROPOSED SUCCESSOR PERMIT NO. 912 WITH CHAE WON PARK AND SU JA PARK

DISCUSSION:

Background/Context – The City of Los Angeles Harbor Department (Harbor Department) issued RP 91-19 to Chae Won Park and Young Park for use of property on Terminal Island for the purpose of operating and maintaining a tenant structure as a grocery store, restaurant, office space, and for incidental purposes. This includes serving hot meals to truck drivers and other tenants, as well as, providing fishing bait to local commercial fishermen on Terminal Island. Under RP 91-19, Chae Won Park and Young Park currently pay a monthly rent of \$737 (base rent), based on land value of \$14 per square foot.

As part of staff's effort to adjust rent to market and convert long-standing tenants to current permit format, an adjusted rental rate and a new five-year permit was negotiated with Park. As such, the Permit (Transmittal 1) will grant Park the continued use of 5,264 square feet of Harbor Department land for the tenant building, designated as Parcel 1 on Exhibit A (Transmittal No. 2) for the five-year period of January 1, 2016 through December 31, 2020.

Summary of Significant Permit Terms

Compensation – The initial monthly rent of \$856 will be retroactive to January 1, 2016, with the first scheduled rental increase to \$1,152 occurring on October 1, 2016; and the second scheduled rental increase to \$1,448 occurring on April 1, 2017.

The initial monthly rent is based on an annual land value of \$19.52 per square foot and trends upward until reaching current market land value of \$33 per square foot on April 1, 2017. Thereafter, the adjusted rent will be subject to an annual CPI escalator for the remaining term.

Maintenance – The tenant will be solely responsible for all maintenance associated with the existing tenant structure.

Sublease – The Permit will acknowledge the existing sublease under RP 91-19, but any new sublease or assignment will be subject to approval by the Board.

Insurance Requirements – The Risk Management Division reviewed the existing insurance requirements under RP 91-19, and determined that an increase in the insurance limits is warranted for the successor Permit. Specifically, fire legal liability insurance will be increased to \$250,000 per occurrence and property/all risk insurance will be set at 90 percent of replacement value over \$250,000 per occurrence. In addition, general liability, which is set at a \$1 million per occurrence, will now cover liquor liability as well.

The Cargo and Industrial Real Estate Division will coordinate with the tenant to ensure the appropriate insurance documentation is provided at the time of the approval of the Permit.

SUBJECT: PROPOSED SUCCESSOR PERMIT NO. 912 WITH CHAE WON PARK AND SU JA PARK

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of Permit No. 912 with Park for continued operation of a grocery store and restaurant on Terminal Island, which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. As such, 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 III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed five-year successor Permit will result in Park making a retroactive rent payment based on the difference between the current monthly rent paid under RP 91-19 and the new rent payable under the Permit within 30 days after the effective date of the successor Permit. Thereafter, Park will pay monthly rent of \$856 to the Harbor Department, with two fixed rental increases occurring during the first 15 months (ending on April 1, 2017) of the five-year term. In addition, the proposed compensation will be adjusted annually based on the CPI, starting on July 1, 2017.

The proposed fixed land rent conforms to the Board's adopted rate of return policy of ten percent on an annual land value of \$33 per square foot.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Permit as to form and legality.

TRANSMITTALS:

- 1. Permit No. 912
- 2. Premises Map


 JACK C. HEDGE
 Director of Cargo & Industrial Real Estate

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

 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:

 EUGENE D. SEROKA
 Executive Director