

DATE: OCTOBER 19, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIVE-YEAR
REVIEW OF REVOCABLE PERMIT NO. 15-06 WITH TTX COMPANY**

SUMMARY:

Staff requests approval of the continuation of Revocable Permit No. 15-06 ("RP 15-06") with TTX Company (TTX) for premises located at 710 Earle Street on Terminal Island. Approval of the proposed action will allow the tenant to continue to use and occupy City of Los Angeles Harbor Department (Harbor Department) property in connection with railcar inspection and repair services.

Currently, under RP 15-06, annual rent increases are applied based upon the greater of zero percent or the year-over-year change in the Consumer Price Index (CPI). If the proposed continuation is approved, effective July 1, 2023, annual rent increases would be applied based upon the greater of three percent or CPI.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the continuation of Revocable Permit No. 15-06 with TTX Company; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background – The Board reviews revocable permits in five-year intervals for continuation or modification. Under RP 15-06, which took effect in May 2015, TTX uses and occupies 28,029 square feet of paved land located at 710 Earle Street on Terminal Island (Transmittal 1) for purposes of operating a railcar pooling company. More specifically, TTX utilizes the premises for railcar inspection and repair; equipment and material storage; modular offices; and parking. Its rail support services are critical to effective port operations.

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This action constitutes the first five-year review for RP 15-06. Staff recommends the continuation of the revocable permit, and establishing a minimum rent increase to take effect July 1, 2023. Annual increases to rent would be the greater of three percent or the year-over-year percentage increase in the CPI.

Provided below is a summary of existing terms and staff’s evaluation of the revocable permit:

<u>Provision</u>	<u>Description</u>
Term	Month-to-month, subject to termination with 30 days’ prior notice
Premises	28,029 sf of paved land
Rent	\$12,448.97 per month \$0.44 per square foot per month
Rent Adjustments	Increased annually based on the year-over-year percentage increase in CPI

Staff confirmed that TTX is a tenant in good standing in accordance with the Harbor Department’s leasing policy. Further, staff evaluated the monthly rent and confirmed it reflects market values for the area for comparable properties. As such, no adjustment is recommended at this time. However, staff recommends effective July 2023, annual increases to rent would be the greater of i) 3 percent or ii) the year-over-year percentage increase in the CPI. This would change the minimum annual CPI increase from the current zero percent to three percent.

ENVIRONMENTAL ASSESSMENT:

The proposed action is continuation of RP 15-06 with TTX for railcar inspection and repair, equipment and material storage, modular offices, and parking, which is the renewal of any permit to use an existing facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed action will entitle the tenant to continue business operations on a month-to-month revocable permit. Rent will not be increased under RP 15-06, but will now be subject to a three percent floor for annual CPI increases, effective July 1, 2023.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board Report and the recommended action raises no legal issues at this time.

TRANSMITTAL:

1. Site Map

FIS Approval: MB
CA Approval: SO

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