



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

**DATE: JULY 6, 2017**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE PERMIT NO. 927  
WITH MAX INTERAMERICAS, INC.**

**SUMMARY:**

Staff requests approval of Permit No. 927 (P927) between the City of Los Angeles Harbor Department (Harbor Department) and Max InterAmericas, Inc. (MII), a California corporation doing business as Flare Logistics, Inc., for occupancy and use of 18,010 square feet (s.f.) of Harbor Department land for the purpose of constructing and operating a container on chassis storage facility.

Harbor Department staff negotiated a five-year term permit for a parcel in East Wilmington that has been vacant for approximately eight years. The base rent for the permit premises is \$54,030 per year, plus annual Consumer Price Index (CPI) adjustments. MII will invest approximately \$410,000 in improvements to the property, which will be offset by rent credits up to \$273,470. Construction and maintenance of the improvements, as well as all other lease obligations, are the financial responsibility of MII.

**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 Environment Quality Act (CEQA) under Article III Class1(18d) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve Permit No. 927 with Max InterAmericas, Inc.;
3. Authorize the Executive Director to execute and the Board Secretary attest to Permit No. 927; and
4. Adopt Resolution No. \_\_\_\_\_.

SUBJECT: PERMIT NO. 927 WITH MAX INTERAMERICAS, INC.

**DISCUSSION:**

Background – MII was established in 2003 in San Diego with Maruchan noodle soup as its primary export product to Central and South America. Since then, MII has grown radically and needs a container storage facility in the harbor area to increase its exporting efficiency. The parcel in question was one of the land parcels in Wilmington made part of a public solicitation in 2015. The solicitation provided information to the community and industry that such parcels are available for lease.

A referral from a real estate broker led staff and MII into negotiations for 1669 East I Street, Wilmington, which is approximately 18,010 s.f. of unpaved, fenced land. The negotiations led to proposed rental rates of \$3 per s.f. per year (based on a market land value of \$30 per s.f.) subject to annual CPI adjustments; MII constructing paving and yard improvements on premises; and rent credits for a portion of the paving and yard improvement costs. Additionally, it should be noted that the proposed premises have been vacant for the past eight years. Additional terms are listed below:

Summary of Significant Terms under P927 (Transmittal 1)

Term: Five years

Premises: 18,010 s.f. of land

Use: Construction, operation, and maintenance of a mounted chassis storage facility and for other incidental purposes.

Compensation: Annual base rent will be \$54,030 per year subject to annual CPI.

Rental Credit: The rental credit provision provides that MII receive rental credits of not more than \$273,470 from the Harbor Department to compensate for paving and yard improvements to the premises. This credit may only be applied to the rent payable under P927. Upon City default, however, the Harbor Department will be responsible for the full cost of improvements.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of Permit No. 927 with Max InterAmericas for a new lease and related improvements for storage containers on chassis. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(18d) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

In approving P927, the Harbor Department will commit 18,010 s.f. of land and receive \$54,030 in annual compensation, escalated by CPI yearly. Additionally, the tenant will spend approximately \$410,000 on paving and other improvements, while being reimbursed by the Harbor Department for no more than \$273,470 total in the form of rent credits. The rent credits will be spread over the term of permit.

SUBJECT: PERMIT NO. 927 WITH MAX INTERAMERICAS, INC.

In the fifth year of the permit term, rent compensation to the Harbor Department will be approximately \$6,036, while the improvements will increase the value of the property by approximately \$292,334, both expressed in present value bases. The proposed permit is expected to generate a 12.5 percent rate of return compared to the Harbor Department's policy goal of 10 percent on land.

**CITY ATTORNEY:**

Permit No. 927 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Permit No. 927
2. Site Map



JACK C. HEDGE  
Director of Cargo & Industrial Real Estate

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



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

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