



Executive Director's

Report to the

Board of Harbor Commissioners

**DATE: AUGUST 6, 2019**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ – ORDER RESETTING  
COMPENSATION UNDER PERMIT NO. 750 WITH SA RECYCLING, LLC**

**SUMMARY:**

Staff requests approval of an Order resetting compensation under Permit No. 750 (P750) with SA Recycling, LLC, a Delaware Limited Liability Company (SA Recycling) for the five-year period of August 31, 2019 through August 30, 2024. P750 grants SA Recycling use of 25.52 acres (1,111,469 square feet) of land and 800 linear feet of wharf at Berths 210-211 for a term of 30 years, expiring August 30, 2024.

The current monthly fixed rent is \$222,960.04. Under the compensation reset Order, effective August 31, 2019, SA Recycling's monthly fixed rent shall be increased by 10 percent to \$245,256.04 in Year 1, \$269,781.65 in Year 2, \$296,759.81 in Year 3, and by the annual change in the Consumer Price Index (CPI) in Years 4 and 5. CPI adjustments will be subject to a floor of zero percent, and SA Recycling will continue to pay any relevant charges under Tariff No. 4.

**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 is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation to Permit No. 750 with SA Recycling;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 750; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

**DISCUSSION:**

Background – P750 was granted to SA Recycling effective August 31, 1994, for a term of 30 years. The premises comprise of 25.52 acres (1,111,469 square feet) of land and 800 linear feet of wharf on City of Los Angeles Harbor Department property located at Berths 210-211 (Transmittal 1) for the operation of a scrap metal processing and transport facility. As stipulated under the terms of P750, the adjustment of rent for the upcoming five-year period of August 31, 2019 through August 30, 2024 is required.

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Current Compensation – Under P750, SA Recycling pays fixed land rent plus charges pursuant to Tariff No. 4. Only the fixed rent is subject to five-year readjustments. SA Recycling currently pays annual fixed rent of \$2,675,520 (\$222,960 per month) and \$1,824,165 in Tariff No. 4 annual charges, on average. Currently, the permit does not include a provision for annual CPI increases.

Proposed Reset of Compensation – Under the proposed Order (Transmittal 2), SA Recycling's fixed rent will be increased as follows:

1. For the period August 31, 2019 through August 30, 2020, the fixed rent will be \$245,256.04 per month.
2. For the period August 31, 2020 through August 30, 2021, the fixed rent will be \$269,781.65 per month.
3. For the period August 31, 2021 through August 30, 2022, the fixed rent will be \$296,759.81 per month.
4. Effective August 31, 2022 and August 31, 2023, the fixed rent will be calculated using an annual CPI increase. In no event shall the rent be adjusted downwards.

Under this proposal, fixed rent will meet the Board's policy rate of return for land and improvements.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a proposed Order resetting compensation to Permit No. 750 with SA Recycling, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The proposed Order resets compensation paid by SA Recycling under P750 over the five-year period of August 31, 2019 through August 30, 2024. Effective August 31, 2019, SA Recycling will begin paying a monthly fixed rent of \$245,256.04. Thereafter, the fixed rent will be adjusted to \$269,781.65 and \$296,759.81 for Years 2 and 3, respectively. Monthly fixed rent will be subject to a CPI escalator in Years 4 and 5, plus payment of Tariff No. 4 charges. Proposed compensation will meet the Board's policy rate of return for land and improvements.

During Fiscal Year (FY) 2019, SA Recycling paid \$2,664,820 in fixed rent compensation. If the proposed Order is approved, Year 1 fixed rent for the period of August 31, 2019 through August 30, 2020 would increase to \$2,943,072, an increase of \$278,252 relative to FY 2019.

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**CITY ATTORNEY:**

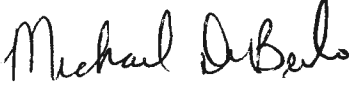
The Order resetting compensation under Permit No. 750 has been reviewed and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Site Map
2. Order

FIS Approval: MB  
CA Approval: MB

  
REGNER GLOBUS  
Assistant Director, Cargo & Industrial Real Estate

  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

  
EUGENE D. SEROKA  
Executive Director

ES:MD:RG:ST:raw  
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BL788raw SA Recycling Comp Reset