



DATE: APRIL 4, 2012

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE SUCCESSOR PERMIT NO. 898 WITH SAN PEDRO BAIT COMPANY, INCORPORATED FOR MOORING A BAIT BARGE FOR THE STORAGE AND SALE OF LIVE BAIT

SUMMARY:

Permit No. 878 between the City of Los Angeles Harbor Department (Harbor Department) and San Pedro Bait Company, Incorporated (San Pedro Bait), a California corporation, grants San Pedro Bait Company use of 2,800 square feet (s.f.) of water area and submerged lands. The premises, located in the Outer Harbor, are for the mooring of a bait barge for the storage and sale of live bait. Permit No. 878 was for a term of five years, commencing April 23, 2007, and will expire on April 22, 2012. San Pedro Bait currently pays \$396 each quarter (\$1,584 annually).

It is recommended that the Harbor Department enter into another five-year successor permit with San Pedro Bait. It is proposed that compensation be set at \$2,032 annually (payable at \$508 per quarter), based on the Harbor Department receiving a ten percent annual rate of return on a water value of \$7.26 per s.f. The proposed \$7.26 per s.f. per year water rent is consistent with market rent in the San Pedro area.

RECOMMENDATION:

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

1. Approve proposed Permit No. 898 with San Pedro Bait Company, Incorporated, with a commencement date of April 23, 2012 and an expiration date of April 22, 2017;
2. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 898 upon approval by the Board; and
3. Adopt Resolution No. _____.

SUBJECT: PROPOSED SUCCESSOR PERMIT NO. 898 WITH SAN PEDRO BAIT COMPANY, INCORPORATED

DISCUSSION:

The annual rent under Permit No. 878 was originally set at \$1,584, which was based on the Harbor Department receiving a ten percent annual rate of return on water value of \$5.66 per s.f. The area will continue to be used as a mooring for a bait barge used for the storage and sale of live bait (Transmittal 2).

Based upon San Pedro Bait's status as a tenant in good standing, and continued compliance with the provisions of their existing permit, the Real Estate Division (RED) supports San Pedro Bait's request for a new five-year permit term (Transmittal 1). Additionally, San Pedro Bait provides a necessary service to the local commercial, charter, and private vessels that rely on live bait for their fishing operations.

It is proposed that compensation be set at \$2,032 annually, to be paid on a quarterly basis at a proposed rate of \$508. The rental rate is based on receiving a ten percent rate of return on a water value of \$7.26 per s.f. per year.

Compensation would be adjusted annually, in no event downward, on July 1st (beginning on July 1, 2013), based on the Consumer Price Index (CPI). The annual CPI adjustment is consistent with current Harbor Department practice. San Pedro Bait has agreed to and approved this annual adjustment.

Based on the above proposed terms and conditions, RED recommends entering into a new five-year permit with San Pedro Bait.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a successor permit with San Pedro Bait for the mooring of a bait barge for the storage and sale of live bait. 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 the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment effect.

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FINANCIAL IMPACT:

Approval of San Pedro Bait's proposed successor Permit No. 898 will increase fixed rent compensation to the Harbor Department from \$1,584 to \$2,032 annually, a \$448 increase. Proposed successor Permit No. 898 also includes an annual CPI adjustment mechanism. The compensation terms of proposed Permit No. 898 conforms to the Board's rate of return policy on land of ten percent.

CITY ATTORNEY:

Proposed Permit No. 898 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Proposed Permit No. 898
2. Site Aerial Map

FIS Approval: KR (initials)
CA Approval: mm (initials)


KARL K.Y. PAN
Acting Director of Real Estate


~~FOR~~ KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


for GERALDINE KNATZ, Ph.D.
Executive Director

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