



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 13, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER APPROVING
COMPENSATION RESET UNDER PERMIT NO. 900 WITH WWL
VEHICLE SERVICES AMERICAS, INC.**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 900 (Permit) between the City of Los Angeles Harbor Department (Harbor Department) and WWL Vehicle Services Americas, Inc. (WWL). The reset covers the five-year period from January 1, 2022 through December 31, 2026, and will result in a \$6,394,437, or 58.7 percent, increase in the minimum annual guarantee (MAG) from \$10,885,563 to \$17,280,000 per year, effective January 1, 2022. The MAG is subject to annual increases in July per the terms of the Permit, based on increases in the Consumer Price Index (CPI), with a floor of zero.

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 under Permit No. 900 with WWL Vehicle Services Americas, Inc.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 900; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 900 WITH WWL VEHICLE SERVICES AMERICAS, INC.

DISCUSSION:

Background - WWL provides global shipping and logistics services for manufacturers of cars, trucks, heavy equipment, and specialized cargo. Permit No. 900 grants WWL non-exclusive use of 91.12 acres at Berths 195-200A for use as a vehicle-processing terminal. See Transmittal No. 1. Permit No. 900 has a term of 10 years that commenced on January 1, 2012, to December 31, 2021, with one five-year extension, through December 2026, which WWL exercised on December 14, 2020.

The permit requires that the MAG is adjusted in five-year intervals. This action is concerning the compensation reset for the period of January 1, 2022, to December 31, 2026.

Because the Harbor Department and WWL did not reach a negotiated agreement on the MAG rate by the deadlines set forth in the Permit, the parties implemented the appraisal process as the method to determine the fair market rental value of the premises. Pursuant to the terms of the Permit, the appraisal arising from that process is binding retroactive to the commencement of the reset period. The parties' jointly-selected appraiser concluded the fair market rental value of the premises to be \$17,280,000, which represents an increase of over 58.74 percent from the rent effective December 31, 2021.

Compensation Reset – Staff recommends the Board adopt the order which would reset compensation retroactively to the commencement of the reset period to the fair rental value identified in the binding appraisal. The below table details the rate increase from the prior period ending December 31, 2021, to the new period commencing January 1, 2022.

Effective Date	Rate/Acre/Year	Monthly Rent	Annual Rent
Dec. 31, 2021	\$119,464	\$907,130	\$10,885,563
Jan. 1, 2022	\$189,640	\$1,440,000	\$17,280,000

As noted within the table above, the proposed action would increase annual rent to \$17,280,000, or \$1,440,000 per month effective January 1, 2022. Effective August 1, 2022, a General Rate Increase was previously approved by the Board resulting in a 7.04 percent increase to the rent in effect as of July 31, 2022. Therefore, as of August 1, 2022, if the proposed action is approved, monthly rent will be \$1,541,376, or \$18,496,512 on an annualized basis.

The MAG is subject to annual increases in July pursuant to the terms of the Permit, based on increases in the CPI, with a floor of zero. However, there are no CPI adjustments required in calendar years when the Merchandise N.O.S. rate is increased (e.g. General Rate Increase).

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VEHICLE SERVICES AMERICAS, INC.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a compensation reset under Permit 900 with WWL for a five-year period, 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:

Approval of the proposed compensation reset will increase annual rent by \$6,394,437, or 58.7 percent, from \$10,885,563 (\$907,130 per month) currently to \$17,280,000 (\$1,440,000 per month) effective January 1, 2022. Effective August 1, 2022, a General Rate Increase was previously approved by the Board, resulting in a 7.04 percent increase to the rent in effect as of July 31, 2022. Therefore, as of August 1, 2022, if the proposed action is approved, monthly rent will be \$1,541,376, or \$18,496,512 on an annualized basis. Absent an increase to the Merchandise N.O.S. rate, the MAG is subject to annual increases in July per the terms of the Permit, based on increases in the CPI, with a floor of zero.

CITY ATTORNEY:

The proposed Order resetting compensation under Permit 900 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Order

Marisa L. Katnich
MARISA L. KATNICH
Director of Cargo & Industrial Real Estate

FIS Approval: *MB*
CA Approval: *SO*
Michael DiBernardo
for MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For
EUGENE D. SEROKA
Executive Director

ES:MD:PD:MK:raw
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BL974raw WWL Comp Reset