

DATE: SEPTEMBER 27, 2021

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 19-10 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND TOLL GLOBAL FORWARDING SCS (USA) INC.

SUMMARY:

Staff requests approval of the First Amendment to Revocable Permit No. 19-10 (RP) with Toll Global Forwarding SCS (USA) Inc. (Toll) for premises located at 2401 E. Pacific Coast Highway in Wilmington. The First Amendment will extend the expiration date from October 7, 2021 to January 31, 2022, subject to termination by either party with 30 days' prior written notice. All other terms conditions of the RP remain unchanged. Pursuant to the terms of the RP, monthly rent during this extension period will be \$473,232.98.

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 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. Find that, due to the exigent circumstances arising from supply chain congestion, it is in the best interest of the City of Los Angeles Harbor Department to holdover Revocable Permit No. 19-10 for a short, interim period of time while staff completes the solicitation process for a successor agreement;
3. Approve the First Amendment to Revocable Permit No. 19-10 with Toll Global Forwarding SCS (USA) Inc.;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Revocable Permit No. 19-10; and
5. Adopt Resolution No. _____.

SUBJECT: APPROVE FIRST AMENDMENT TO REVOCABLE PERMIT NO. 19-10 WITH TOLL GLOBAL FORWARDING SCS (USA) INC.

DISCUSSION:

Background – Following a solicitation process conducted in February 2019, the Board awarded RP 19-10 to Toll for an explicit term of two years, which commenced on October 8, 2019 and expires October 7, 2021. RP No. 19-10 permits Toll to use and occupy approximately 85 acres of City of Los Angeles Harbor Department (Harbor Department) property that is comprised of land and warehouses located at 2401 Pacific Coast Highway (Transmittal No. 1) for purposes of operating a transloading and warehousing facility. Toll estimates that there are 198 employees at the site, which is a combination of truckers and warehouse workers.

On September 13, 2021, the Harbor Department released a Request for Proposal for a successor permit for these premises. Responses are due October 5, 2021. Toll recently expressed an interest in holding over its tenancy while staff completes the solicitation process, which necessitates the current action. Because supply chain congestion has reached critical levels, staff recommends this short-term extension to serve as a bridge between the time when the Toll RP would otherwise expire and completion of the solicitation process. The extension will allow for business continuity at the site, and avoid an interruption to supply chain capacity during a time of severe port congestion.

The First Amendment (Transmittal 2) will extend the expiration date from October 7, 2021 to January 31, 2022, subject to termination by either party with 30 days prior written notice. All other terms and conditions of the RP remain unchanged. If the proposed First Amendment is approved, monthly rent would be increased by the annual percentage increase in the consumer price index (CPI), effective October 8, 2021, using the existing framework within RP No. 19-10. Application of the increase in CPI would result in monthly rent increasing by \$17,763.32, from \$455,469.66 currently to \$473,232.98 per month effective October 8, 2021 through the proposed expiration of January 31, 2022.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the First Amendment to RP No. 19-10 with Toll, which is an activity involving the issuance, renewal or amendment of any lease, license or permit to use an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has 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 First Amendment would extend the term of RP No. 19-10 to January 31, 2022 and increase monthly rent by \$17,763.32, from \$455,469.66 currently to \$473,232.98 per month, as proposed. Provided RP No. 19-10 is not sooner terminated, the RP will generate \$1,786,072.86 in revenue over the extension term of October 8, 2021 to January 31, 2022.

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CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the First Amendment as to form and legality.

TRANSMITTALS:

1. Site Map
2. First Amendment

FIS Approval: MB
CA Approval: SO

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BL910jg Toll Amendment