



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: OCTOBER 30, 2018

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ – ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 724 WITH THE LOS ANGELES
YACHT CLUB**

SUMMARY:

Staff requests approval of the Order resetting compensation for Permit No. 724 with the Los Angeles Yacht Club (LAYC) for the five-year period from March 4, 2018 through March 3, 2023. The Order resets compensation in the amount of \$3,112.65 per month, or \$37,351.80 per year, beginning March 4, 2018, and will adjust annually thereafter based on the Consumer Price Index. LAYC is financially responsible for all rental payments under Permit No. 724.

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);
2. Approve the Order resetting compensation for the period of March 4, 2018 through March 3, 2023 under Permit No. 724;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 724; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background – Permit No. 724 became effective March 4, 1993 and grants LAYC the use of City of Los Angeles Harbor Department (Harbor Department) land consisting of approximately 15,687 square feet (s.f.) for the construction, operation, and maintenance of a yacht club center with small vessel dry storage in San Pedro for a period of 50 years. As required by the terms and conditions of Permit No. 724, it is necessary to reset compensation for the five-year period of March 4, 2018 through March 3, 2023.

Current Compensation – Board Order No. 15-7182 established compensation for the most recent five-year period of March 4, 2013 through March 3, 2018. Approved on November 23, 2015, the Board Order set annual compensation retroactively for the period of March 4, 2013 through March 3, 2015 to amounts already paid to the Harbor Department. The amounts already paid were based on a \$22 per s.f. land value, eight percent rate of return, and annual two percent increases.

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For the period beginning March 4, 2015, the monthly rate was set at \$2,890.61 with annual adjustments based on the Consumer Price Index for All Items, All Urban Communities for the Los Angeles - Riverside and Orange Counties (CPI). This rate was based on the 2013 market value of \$22 per s.f. land value with the Harbor Department's rate of return policy at 10 percent. On March 4, 2018, the most recent annual CPI adjustment was applied and current compensation is \$3,112.65 (Transmittal 1).

Compensation Period	Monthly Rate
4-Apr-2013 to 31-Dec-2013	\$2,455.65
1-Jan-2014 to 31-Dec-2014	\$2,504.76
1-Jan-2015 to 3-Mar-2015	\$2,554.86
4-Mar-2015 to 3-Mar-2016	\$2,890.61
4-Mar-2016 to 3-Mar-2017	\$2,948.42
4-Mar-2017 to 3-Mar-2018	\$3,007.39
4-Mar-2018 to 3-Mar-2019	\$3,112.65

Proposed Compensation – In 2008, an appraisal was conducted for the Outer Harbor area including this leasehold. That appraisal determined the land value to be \$22 per square foot based on the highest and best use for landside marina support. Staff conducted an analysis of gross receipts of San Pedro marinas to evaluate the performance of the marinas and identify economic trends from January 2007 to 2017 to analyze their economic performance and whether these trends justified an increase in land value. Data from Holiday Harbor Marina and California Yacht Marina (Transmittal 2) was analyzed. Staff determined that based on the data, these San Pedro marinas have not seen growth in gross receipts revenue since 2007, which indicates that adjacent land values have also remained constant. Staff also analyzed other adjacent leaseholds at 22nd Street Landing and the Double Tree Hotel to deduce land rental value based on gross receipts paid. The analysis showed prevailing land rental value to be \$1.49 per year per square foot, which would equate to a land value of \$14.90 utilizing a 10 percent rate of return. Based on staff's analysis of adjacent leaseholds, an increase beyond annual CPI adjustments is not supported. Therefore, staff recommends maintaining the current monthly rental rate of \$3,112.65 with annual CPI adjustments.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an order resetting compensation for Permit No. 724 with LAYC, 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).

FINANCIAL IMPACT:

Approval of the proposed compensation reset results in rental compensation to the Harbor Department of \$3,112.65 per month, or \$37,351.80 per year, beginning March 4, 2018 and will adjust annually thereafter based on CPI through March 3, 2023.

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CITY ATTORNEY:

The Order resetting compensation under Permit No. 724 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Proposed Order
2. Site Map

FIS Approval: MB
CA Approval: CSS


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate


FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

ES:MD:MG:RV:EH:pi
Author: Evan Haug
BL741pi Los Angeles Yacht Club Comp Reset