



Executive Director's

Report to the

Board of Harbor Commissioners

DATE: MARCH 17, 2020

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 19-09 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND SOUTHERN CALIFORNIA MARINE INSTITUTE

SUMMARY:

Staff requests approval of Revocable Permit No. 19-09 (RP 19-09) with Southern California Marine Institute (SCMI) for the operation of a support facility for academic, marine, and oceanographic research projects at Berths 259-260 on Terminal Island. Proposed RP 19-09 may be terminated upon 90 days' written notice by either party.

Proposed RP 19-09 will have an annual compensation of \$94,830, of which \$22,830 is payable in rent and the remainder (\$72,000) as a credit for in-kind services. SCMI currently pays \$125,628 in annual compensation, of which \$20,000 is payable in rent and the remainder in in-kind services. The total compensation is subject to annual Consumer Price Index (CPI) adjustments. Market rent for the premises is estimated at \$189,660 per year. Reduction in total annual monetary compensation is provided to SCMI in exchange for approximately \$465,000 in educational community benefits and \$33,000 in in-kind services to the City of Los Angeles Harbor Department (Harbor Department), in addition to the \$72,000 credit mentioned above. Monetary compensation will increase from \$20,000 to \$22,830.

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 it is in the best interest of the City of Los Angeles Harbor Department to deviate from the rate of return policy and grant the discount to Southern California Maritime Institute as an academic research facility which provides significant non-monetary compensation in the form of education and public programming, and other local and regional economic benefits;
3. Approve proposed Revocable Permit No. 19-09 with Southern California Marine Institute;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Revocable Permit; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background - On October 11, 1979, the Board granted Permit No. 398 (P398) to the University of Southern California for a term of 25 years. On March 24, 1995, P398 was assigned to the SCMI. P398 was superceded by RP 13-34. In order to reset compensation and update the current RP template, staff proposes to enter into successor RP 19-09 to succeed existing RP 13-34.

SCMI is a multi-campus research facility and nonprofit oceanographic institution headquartered on Terminal Island for the purpose of operating and maintaining a support facility for the academic, marine, and oceanographic research projects. The SCMI consortium represents a strategic alliance of 23 major universities, colleges, and foundations in Southern California, nine universities from the California State University System representing the Ocean Studies Institute (Channel Islands, Dominguez Hills, Fullerton, Long Beach, Los Angeles, Northridge, Pomona, San Bernardino and San Marcos) and the combined marine resources of the University of Southern California, Wrigley Institute for Environmental Studies, University California Los Angeles, and Occidental College, Los Angeles Community College District, The Bay Foundation, and NOAA National Marine Fisheries Service West Coast Region.

SCMI's mission is to foster marine research and education, focusing on urban impacts of the greater Los Angeles region on the coastal ocean, to improve scientific understanding and the development of solutions that will enable coastal waters and watersheds to thrive, adapt, and become resilient to ongoing environmental stressors (<http://www.scmi.net/about-scmi-2>).

RP 19-09 (Transmittal 1) will authorize SCMI to continue to occupy approximately 71,755 square feet of Harbor Department property, of which 45,157 square feet is land and 26,598 square feet is wharf and submerged land. SCMI is located at Berths 259-260 on Terminal Island (Transmittal 2). SCMI currently owns the building that it occupies. RP 19-09 may be terminated upon 90 days' written notice by either party.

SCMI will receive a rent discount for providing approximately \$465,000 in educational benefit to the community, including educational programs to K-12 and university students and \$33,000 in-kind services to the Harbor Department.

Educational Programs - For college and university students, SCMI provides demonstration cruises, which allow students to determine turbidity and physical properties of the water. Students also collect benthic organisms and sediment samples, sample bottom dwelling fish and invertebrates, as well as collect plankton samples, which can be viewed and identified under microscopes. These activities allow students to experience the ocean processes and examine physical, biological, and chemical properties of the ocean environment through the use of SCMI's facilities and assets.

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For K-12 students, SCMI offers marine science programs to preserve marine resources for present and future generations. The programs are designed to assist in achieving California's science framework using innovative, hands-on, practical learning activities in marine science. Students are expected to gain a deeper understanding of science and math theories through hands-on learning activities. These activities curate a curiosity for understanding how basic scientific concepts relate to their own lives enhance life skills including observation, communication, and analysis through the application of the scientific method in marine science (<http://www.scmi.net/>).

Compensation Terms - Compensation is set at \$94,830 per year based upon a land value of \$42, with a rate of return of 10 percent (as detailed below). The wharf and submerged land area is based on Tariff No. 4 (dockage), which grants free dockage to vessels owned by the State of California (No. 410 (k)) and operated by SCMI.

2019 Compensation w/o In-Kind Services Reporting											
Drawing Number	Pcl. No.	Land Type	Area (In Sq. Ft.)	Land Value (Per Sq. Ft.)	BOHC Rate of Return	Annual Rental Rate	Rate W/O Discount	Discount Rate ¹	Discount Amount	Annual Rent	Quarterly Rent
45574-2	1	Land	21,631	\$ 42.00	10%	\$ 4.20	\$ 90,850	50%	\$ 45,425	\$ 45,425	\$ 11,356
	2	Land	6,080	\$ 42.00	10%	\$ 4.20	\$ 25,536	50%	\$ 12,768	\$ 12,768	\$ 3,192
	3	Land	17,446	\$ 42.00	10%	\$ 4.20	\$ 73,273	50%	\$ 36,637	\$ 36,637	\$ 9,159
	4	Wharf	2,475	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -
	5	Wharf	2,450	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -
	6	Water	10,892	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -
	7	Water	10,781	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -
Sub-Total										\$ 94,830	\$ 23,707
CREDIT: POLA C&M Monthly Water Monitoring Support, Other Community and Agency Support & POLA Standby Service										\$(72,000)	\$(18,000)
TOTAL			71,755							\$ 22,830	\$ 5,707

Of the \$94,830 in rent, \$22,830 is payable in monetary compensation and the remainder of \$72,000 as a credit for non-monetary in-kind services, which consists of: 1) Construction & Maintenance (C&M) monthly water monitoring support service, 2) other community and government agency support services, and 3) Harbor Department standby service for emergency service, as needed. Unused in-kind services will expire annually. Both portions of the compensation is subject to an annual CPI adjustment.

SCMI currently provides the vessel, operator, fuel and equipment for the monthly harbor water-monitoring project for the C&M Division and real-time water quality monitoring for the Environmental Management Division (EMD). In the second quarter of 2019 (April to June), SCMI provided \$25,839 in in-kind services (\$12,189 for a water monitoring project and \$13,650 for real-time water quality monitoring).

The real-time water quality monitoring will cease upon execution of this RP, as it is no longer required by EMD. It is being replaced by "stand-by service" which will provide more flexibility to EMD and other divisions. As needs arise, each division may call on SCMI for that one-time service without having to go through the process of procuring a contract. The value of "stand-by service" is valued at approximately \$6,000 per quarter (\$2,000/month) with harbor water monitoring valued at \$12,000 per quarter. In addition to services provided to the Harbor Department, SCMI also offers educational activities, chemical analysis, environmental sampling, monitoring services and training to other public agencies and local nonprofits.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of Revocable Permit No. 19-09 between the City of Los Angeles Harbor Department and Southern California Marine Institute, which is an activity involving the issuance or amendment to a lease, license, or permit to use an existing 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 RP No. 19-09 will generate net rent of \$22,830 per year, with annual adjustments based on CPI. Currently, annual net rent of \$20,000 is generated by SCMI's use of the premises, and the proposed Year 1 rent of \$22,830 would represent an increase of \$2,830 relative to the annual net rent currently received by the Harbor Department. The proposed compensation does not conform to the Board's adopted rate of return policy due to the tenant's receipt of the discount.

CITY ATTORNEY:

Revocable Permit No. 19-09 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Revocable Permit No. 19-09
2. Site Map


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: 
CA Approval: 


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 FOR

EUGENE D. SEROKA
Executive Director