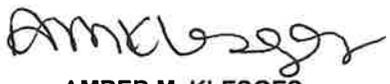


5.20.21
1

RECOMMENDATION APPROVED;
RESOLUTION 21-9815 (PERMIT 950) ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS

May 20, 2021



AMBER M. KLESGES
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 4, 2021

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 21-9815 APPROVE PERMIT NO. 950 WITH
FAST LANE TRANSPORTATION, INC.

SUMMARY:

Staff requests approval of Permit No. 950 (Permit) between Fast Lane Transportation, Inc. (Fast Lane) and the City of Los Angeles Harbor Department (Harbor Department). The Permit allows Fast Lane to occupy 536,914 square feet (12.3 acres) of land in northeast Wilmington, for the purpose of storing containers and chassis. This action will consolidate two existing revocable permits and one space assignment under the proposed Permit.

The Permit will yield \$1,907,621.64 in the first year, assuming an effective date of July 1, 2021, and a step increase on January 1, 2022. Rent will increase based upon the Consumer Price Index (CPI) effective January 1, 2023, and each January 1 thereafter over the ten-year term of the Permit.

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(18(d)) of the Los Angeles City CEQA Guidelines;
2. Approve Permit No. 950 with Fast Lane Transportation, Inc.;
3. Direct the Board Secretary to transmit Permit No. 950 to the City Council for approval pursuant to Section 606 of the Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 950 upon approval by City Council; and
5. Adopt Resolution No. 21-9815.

SUBJECT: PERMIT NO. 950 WITH FAST LANE TRANSPORTATION, INC.

DISCUSSION:

Background: Fast Lane started operations in 1992 storing empty containers near the Vopak tank farm, southwest of the intersection of Pacific Coast Highway and the Terminal Island Freeway. Fast Lane currently occupies seven separate Harbor Department-owned sites in Wilmington. The sites currently comprise approximately 11.7 acres under five separate real estate entitlements.

Below is a summary of the existing entitlements:

<u>Current Entitlement</u>	<u>Acreage</u>	<u>Proposed Action</u>
Space Assignment 16-20	3.96	Include area in Permit
Revocable Permit 92-46	4.83	Include area in Permit
Revocable Permit 16-16	2.40	Include area in Permit
Revocable Permit 14-08	0.26	Terminate area
Revocable Permit 06-02	0.25	Terminate; Premises jointly-owned following property transfer with POLB; issue new joint-RP, subject to subsequent approval by both ports.
Total	11.7	

Under this action, the proposed premises (Transmittal No. 1) will increase to a total of 12.3 acres. The total area of the Permit increased from the prior total area as a result of adjustments in survey measurements for the parcels and inclusion of a portion of new paved road area. Rent would increase from \$1,208,386.20 per year to an estimated \$1,907,621.64 in the first year, assuming a July 1, 2021 effective date.

Material terms of the Permit (Transmittal 2) are as follows:

<u>Provision</u>	<u>Description</u>
Real Estate Entitlement	Term Permit
Permitted Use	Storage of containers, chassis, and miscellaneous related equipment associated with container transport and other uses incidental to.
Term	10 years

SUBJECT: PERMIT NO. 950 WITH FAST LANE TRANSPORTATION, INC.

Termination Rights	<ul style="list-style-type: none"> • Either Party may terminate certain parcels totaling approximately 6.57 acres with 180 days' notice to the other party. • Tenant may terminate the Permit in whole with nine months' prior written notice to the Harbor Department subject to paying an option fee pursuant to the Leasing Policy of the Harbor Department. • Termination rights are subject to Tenant's compliance with the restoration requirements. 															
Effective Date	The Permit becomes effective on the date of its approval by City Council pursuant to Section 606 of City Charter and execution by the Executive Director.															
Premises	536,914 square feet (12.326 acres) comprised of: <ul style="list-style-type: none"> • 14,471 square feet of paved road; and • 522,443 square feet of unpaved land covered with crushed miscellaneous base (CMB) 															
Initial Monthly Rent	\$145,545.62															
Rent Adjustments	Provided the Permit is not sooner terminated, rent would be adjusted per the schedule below.															
Rate Schedule (Per Square Foot Per Month)	<table border="1"> <thead> <tr> <th></th> <th><u>Parcel 1, 3-7</u> <u>(CMB Land)</u></th> <th><u>Parcel 2</u> <u>(Paved Road)</u></th> </tr> </thead> <tbody> <tr> <td><u>Effective Date</u></td> <td></td> <td></td> </tr> <tr> <td>July 2021</td> <td>\$0.27</td> <td>\$0.31</td> </tr> <tr> <td>Year. 2 (Jan. 1, 2022)</td> <td>\$0.32</td> <td>\$0.36</td> </tr> <tr> <td>Year. 3 – Year. 10</td> <td>+ CPI(U)</td> <td>+ CPI(U)</td> </tr> </tbody> </table>		<u>Parcel 1, 3-7</u> <u>(CMB Land)</u>	<u>Parcel 2</u> <u>(Paved Road)</u>	<u>Effective Date</u>			July 2021	\$0.27	\$0.31	Year. 2 (Jan. 1, 2022)	\$0.32	\$0.36	Year. 3 – Year. 10	+ CPI(U)	+ CPI(U)
	<u>Parcel 1, 3-7</u> <u>(CMB Land)</u>	<u>Parcel 2</u> <u>(Paved Road)</u>														
<u>Effective Date</u>																
July 2021	\$0.27	\$0.31														
Year. 2 (Jan. 1, 2022)	\$0.32	\$0.36														
Year. 3 – Year. 10	+ CPI(U)	+ CPI(U)														
Maintenance	Tenant will be responsible for maintenance of all premises and compliance with all dust control and soil track-out mandated regulations. Tenant will also be required to periodically apply CMB to unpaved land as required by the Harbor Department during the term of the Permit.															
Insurance	Includes all standard insurance provisions and requirements.															
Security Deposit	Two months' rent in the form of a letter of credit or cash															

SUBJECT: PERMIT NO. 950 WITH FAST LANE TRANSPORTATION, INC.

Other Terms	<ol style="list-style-type: none"> 1. Easement Disclosure: Tenant accepts property in as-is condition and acknowledges a portion of the Premises is subject to a land use easement for fire lane purposes. 2. Environmental Conditions: As part of maintenance of the Premises, Tenant will be required to cover all movement areas in and around container stacks with CMB within six months of the Effective Date. As the material degrades due to use, Tenant will have to reapply CMB at its sole cost and expense under the sole discretion of the Harbor Department. Additionally, Tenant will be required to prevent track-out of soil/CMB outside the Premises boundary and will be required to clean any track-out produced by its operations.
-------------	---

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of Permit No. 950 between Fast Lane and the Harbor Department for the consolidation of all Fast Lane entitlements into one term permit, which is an activity involving the issuance of permits or other entitlements granting use of the following existing facilities and land use areas involving negligible or no expansion of use and/or alteration or modification of the facilities or its operations beyond that previously existing or permitted: (d) Storage areas for domestic shipment-receipt and foreign import-export commodities. 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(18(d)) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of Permit No. 950 will entitle Fast Lane to occupy 536,914 square feet (12.326 acres) of paved and unpaved CMB land for a ten-year term and will generate annual rent of \$1,907,621.64 in Year 1, assuming an effective date of July 1, 2021. After a fixed step increase on January 1, 2022, and, assuming a 2.0 percent CPI increase on January 1, 2023, Year 2 rent would increase to \$2,089,382.80 with CPI increases applied annually on each January 1 thereafter.

The proposed Year 1 rent of \$1,907,621.64 represents a \$699,235.44, or 57.9 percent, increase relative to the effective annual rental and space assignment revenues received on the existing 11.7 acre premises as of December 31, 2020.

DATE: MAY 4, 2021

PAGE 5 OF 5

SUBJECT: PERMIT NO. 950 WITH FAST LANE TRANSPORTATION, INC.

CITY ATTORNEY:

Permit No. 950 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Permit Map
2. Permit No. 950

FIS Approval: *MB*
CA Approval: *SO*

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

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director

ES:MD:MK:PA:ab
Author: Paul Andre
BL873raw Fast Lane Permit 950