



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

Board of Harbor Commissioners

DATE: OCTOBER 23, 2014

FROM: PLANNING & ECONOMIC DEVELOPMENT

SUBJECT: RESOLUTION NO. _____ APPROVAL OF A
SUCCESSOR EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND LA
WATERFRONT ALLIANCE FOR THE COMMERCIAL
REDEVELOPMENT OF PORTS O' CALL

SUMMARY:

It is recommended that the Board of Harbor Commissioners (Board) approve a successor Exclusive Negotiating Agreement (ENA) between the City of Los Angeles Harbor Department (Harbor Department) and LA Waterfront Alliance (Developer), a collaboration between The Ratkovich Company and Jerico Development. The original ENA was for a term of 240 days plus a 120-day extension option exercised by the Executive Director for a total of 360 days. On March 6, 2014, the Board approved the First Amendment to the ENA, which extended the term an additional 60 days, expiring May 8, 2014. On May 8, 2014 the Board approved the Second Amendment to the ENA, which extended the term up to an additional 180 days, expiring November 4, 2014. The original ENA has now expired and staff proposes to enter into a successor ENA that would allow the Harbor Department and Developer to complete the Financial Feasibility Analysis (FFA) required by the original ENA and advance negotiations. During the term of the successor ENA, the Harbor Department and Developer are responsible for their own costs incurred related to the performance of their due diligence activities, with the exception of any CEQA/NEPA compliance costs, which will be shared between the two parties at the rate of 25 percent for the Harbor Department and 75 percent for the Developer.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the successor Exclusive Negotiating Agreement between the City of Los Angeles Harbor Department and LA Waterfront Alliance;
2. Authorize the Executive Director to execute and the Board Secretary to attest to said successor Exclusive Negotiating Agreement, for and on behalf of the Board; and
3. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – The San Pedro Waterfront Project Environmental Impact Statement/Environmental Impact Report (EIS/EIR), approved by the Board on September 29, 2009, included the redevelopment of the Ports O' Call site. The Ports O' Call site is entitled to support up to 300,000 square feet (s.f.) of visitor-serving commercial uses and up to 75,000 s.f. for a conference center. The existing parcel was developed as Ports O' Call Village in the 1960s and was a popular regional destination for several decades. The site currently features approximately 135,000 s.f. of restaurant and retail buildings with existing tenant leases set to expire December 31, 2014. The San Pedro Waterfront Project envisioned a comprehensive redevelopment of the Ports O' Call site, which would contribute to the transformation of the San Pedro waterfront and adjacent downtown San Pedro into a vibrant, world-class urban visitor-serving waterfront destination (Transmittal 1).

Following the release of a Request for Qualifications (RFQ) in July 2012, eight responses were received from interested developers and the LA Waterfront Alliance was selected. The LA Waterfront Alliance partnership of The Ratkovich Company and Jerico Development has extensive experience in developing visitor-serving retail projects. The Ratkovich Company is a Los Angeles-based development company with 40 years' experience in commercial property development, construction, renovation, and operations. Jerico Development is a San Pedro-based development firm that specializes in rehabilitating commercial buildings.

Exclusive Negotiating Agreement – On February 21, 2013, the Board approved the ENA with the Developer allowing both parties to perform due diligence relating to the redevelopment of the Ports O' Call site and negotiate a term sheet. The ENA was for a term of 240 days and was to expire on November 9, 2013. On October 23, 2013, the ENA option was executed extending the exclusivity period an additional 120 days. This option period expired March 9, 2014. Under the terms of the ENA, the Executive Director had the authority to execute the option to extend. On March 6, 2014, the Board approved the First Amendment to the ENA, extending the exclusive negotiation period 60 days, expiring May 8, 2014, and on May 8, 2014 the Board approved the Second Amendment to the ENA for up to an additional 180 days during which a Financial Feasibility Study would be prepared by the Harbor Department.

The ENA will expire on November 4, 2014 and staff is requesting a successor ENA (Transmittal 2) to continue the exclusive negotiation period with the Developer to allow time to complete the FFA and advance negotiations. Staff is requesting that the successor ENA term expire on January 8, 2015, with two additional 30 day extension options exercisable by the Executive Director.

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Financial Feasibility Analysis –The FFA will measure the potential financial success of the Developer's proposed project and will inform the parties regarding the potential risk and/or reward of future investments. The successor ENA will allow for completion of the FFA required to be completed by the Harbor Department in the original ENA. The FFA commenced on July 22, 2014 and should be completed in November 2014.

ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to approval of a successor ENA with the LA Waterfront Alliance for continued negotiations on the redevelopment of the Ports O' Call site. Any environmental assessment required for the final development concept would be conducted separately. Therefore, the Director of Environmental Management has determined that the proposed action, as an administrative activity, is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The proposed successor ENA provides both parties the opportunity to continue the exclusive negotiations between the Harbor Department and the Developer. The successor ENA does not commit either party to proceed with a proposed development of the Ports O' Call site as any terms or agreements for the site must be brought before the Board and/or City Council for approval. Harbor Department costs related to due diligence under the successor ENA include staff time and a 25 percent share of any CEQA/NEPA assessment work, which at this time is unknown pending the finalization of the development concept. Additional financial details for the proposed Ports O' Call development are pending further concept development and completion of the FFA.

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CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed successor ENA as to form and legality.

TRANSMITTALS:

1. Site Map
2. Successor Exclusive Negotiating Agreement

FIS Approval: VP (initials)
CA Approval: gic (initials)


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DAVID L. MATHEWSON
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APPROVED:



EUGENE D. SEROKA
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