

DATE: NOVEMBER 3, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVE FOURTH AMENDMENT TO THE AMENDED AND RESTATED LEASE NO. 904A WITH ALTASEA AT THE PORT OF LOS ANGELES

SUMMARY:

Staff requests approval of the Fourth Amendment to the Amended and Restated Lease 904A (Lease No. 904A) with AltaSea at the Port of Los Angeles (AltaSea). The premises, located at City Dock No. 1 and consisting of 32.85 acres, is for water-dependent, academic, and governmental uses, as well as a non-profit and for-profit marine research facility.

The proposed Fourth Amendment includes required revisions to various development milestones including parcel acceptance and construction completion timelines for various parcels, revisions to various parcel scopes of work and modifications to AltaSea's and the City of Los Angeles Harbor Department's (Harbor Department) monetary commitments. While the Harbor Department will continue to be financially responsible for the funding of improvements and remediation costs totaling \$36.6 million, approval of the Fourth Amendment would advance \$6 million in spending by three to five years relative to prior expectations.

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) of the Los Angeles City CEQA Guidelines;
2. Approve the Fourth Amendment to Amended and Restated Lease No. 904A with AltaSea at the Port of Los Angeles;
3. Direct the Board Secretary to transmit the Fourth Amendment to Amended and Restated Lease No. 904A to the City Council for approval pursuant to Section 606 of the City Charter;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the Fourth Amendment to Amended and Restated Lease No. 904A upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background - On December 23, 2013, AltaSea was granted Lease No. 904 (Lease) for the construction, operation, and maintenance of an urban marine research facility with a term of 50 years at City Dock No. 1. The Lease provides conditions under which AltaSea may occupy 11 parcels totaling 32.85 acres.

In August 2017, Lease No. 904 was amended and restated (Lease No. 904A) in order to expedite activation and development of the premises and reduce each party's financial obligation without compromising the original mission and goals, including providing comparable public access infrastructure; educational and public programming; job creation; and economic activity.

Proposed Fourth Amendment – The proposed Fourth Amendment (Transmittal 1) will include required adjustments to keep AltaSea in good standing and will update: various scopes of work and schedules, monetary commitments from both AltaSea and the Harbor Department, contracting and construction procedures, as well as funding and payment structure and procedures. In addition to adding one year to permit milestones for various construction timelines for Parcels B57-60, the Fourth Amendment reduces the Harbor Department's financial commitment for Parcel B57 improvements by \$6 million and advances that funding to Parcel B58 improvements as described in more detail below. The Fourth Amendment will include:

Updates to Schedule, Scope and Funding

- The Harbor Department and AltaSea shall agree on a final scope of work for the Parcel B 57 Wharf Improvements, and improvements shall not exceed \$9.62 million. City funding for Berth 57 Wharf Improvements has been reduced and City Improvements for Signal Street formerly associated with Parcel B57 have been deleted collectively reducing funding for Parcel B 57 by \$6 million in exchange for City funding \$6 million for Parcel B58 Warehouse improvements.
- AltaSea to complete Berth 58 Warehouse Improvements by December 31, 2022.
- AltaSea to complete Berth 59 and 60 Warehouse Improvements by December 31, 2023.
- AltaSea to accept Parcel B57 by December 31, 2022.

Monetary Commitments and Conditions

- The Harbor Department shall expend up to \$9,620,000 in construction and soft costs for Berth 57 Wharf Improvements, a reduction of \$580,000.

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- The Harbor Department shall expend \$0 for Signal Street Improvements, a reduction of \$5,420,000.
- The Harbor Department will conditionally commit \$6,000,000 to partially fund the Berth 58 Warehouse Improvements, an increase of \$6,000,000.

Contracting/Construction Procedures for Parcel B58 Warehouse Improvements

- AltaSea shall utilize the design-bid-build method of project procurement, competitive bidding procedures, and will comply with all California Public Works contracting requirements.
- AltaSea must require its contractor to indemnify the Harbor Department and name the Harbor Department as an additional insured.
- AltaSea must obtain payment and performance bonds for the Warehouse 58 improvements prior to construction.

AltaSea must obtain the appropriate Harbor Department Permits, such as a Harbor Engineer's Permit for the work.

Transmittal 1 provides additional details for all of the sections of the Agreement being amended. Staff recommends the Board approve the Fourth Amendment to keep AltaSea in good standing and address the necessary changes needed to assist AltaSea in meeting their project development schedule and goals.

ENVIRONMENTAL ASSESSMENT:

The Fourth Amendment to Lease No. 904A for revisions to development milestones, amendment and updates to scope of work and scheduling, and changes to monetary commitments between AltaSea and the Harbor Department, is an administrative activity. Any revisions to the scope of work compared to what was assessed in the FEIR for other project elements are subject to separate environmental review and are not included as part of the current approval. 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) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed amendment will: (i) revise various scopes of work and schedules; and (ii) reflect changes in AltaSea's and the Harbor Department's monetary commitments. While many provisions of the proposed amendment are administrative in nature, certain provisions do have monetary implications. The proposed monetary changes do not result in an increase of the Harbor Department's \$36.6 million funding commitment to the AltaSea project, but instead move funding in the amount of \$6 million from the Berth 57 Warehouse project to the Berth 58 Warehouse project and in doing so advances this spending by approximately three to five years.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Fourth Amendment as to form and legality.

TRANSMITTAL:

1. Fourth Amendment

FIS Approval: MB
CA Approval: SO

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