

DATE: JANUARY 7, 2025

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF SUBRECIPIENT AGREEMENTS WITH CATALINA CHANNEL EXPRESS, INC. AND HARBOR BREEZE CORP. FOR THE CALIFORNIA AIR RESOURCES BOARD LOS ANGELES MARINE EMISSION REDUCTION PROJECT

SUMMARY:

Staff requests approval of the proposed Subrecipient Agreements between the City of Los Angeles Harbor Department (Harbor Department) and Catalina Channel Express, Inc. (CCE) and Harbor Breeze Corp. (HBC). The Subrecipient Agreements will support the California Air Resources Board (CARB) Fiscal Year (FY) 2021/22 and 2022/23 Advanced Technology Demonstration and Pilot Projects Grant Agreement to fund the proposed Los Angeles Marine Emission Reduction (LA MER) Project (Project). The Harbor Department was awarded the grant to implement the Project, which includes CCE deploying a passenger ferry with Tier 4 engines and potentially a diesel particulate filter (DPF), and HBC deploying two zero-emission (ZE) capable excursion boats. The Project will receive \$30,980,376 in funding from CARB and \$31,471,492 in matching funds and in-kind services from CCE, HBC, City of Long Beach, and the Harbor Department.

The Harbor Department will be responsible for managing the proposed Subrecipient Agreements. The Grant Agreement with CARB as well as the Harbor Department's financial obligation under the grant will be presented under a separate Board action.

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 Subrecipient Agreement between the City of Los Angeles Harbor Department and Catalina Channel Express, Inc., to perform their portion of the LA MER Demonstration Project;

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3. Approve the Subrecipient Agreement between the City of Los Angeles Harbor Department and Harbor Breeze Corp., to perform their portion of the LA MER Demonstration Project;
4. Authorize the Executive Director to execute and the Board Secretary to attest to said Subrecipient Agreements for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On November 19, 2021, the California Air Resources Board (CARB) approved \$40 million for the Advanced Technology Demonstration and Pilot program allocated under the FY 2021/22 Funding Plan for Clean Transportation Incentives (Funding Plan). On November 17, 2022, CARB approved an additional \$135 million allocated under the FY 2022/23 Funding Plan. These two funding allocations, in addition to \$50 million in funding from the California Energy Commission to support infrastructure, were combined under one grant solicitation. In October 2023, the Harbor Department applied for the grant on behalf of CCE and HBC for the LA MER Project described in detail in Exhibits C and D of the proposed Grant Agreement (Transmittal 1). This grant solicitation closed in October 2023 resulting in 31 applications requesting total funding of \$425 million. Twelve projects, including the Harbor Department’s proposed Project, were selected for funding.

On March 7, 2024, CARB notified the Harbor Department that the proposed Project was selected and had received a preliminary grant award offer in the amount of \$30,980,376 contingent upon Board approval of the proposed Grant Agreement that will be presented under a separate Board action.

Proposed LA MER Project – The Harbor Department, with Project partners CCE and HBC is undertaking the LA MER Project to reduce emissions for disadvantaged communities while advancing the understanding of cutting-edge harbor-craft technologies for the future. This multi-faceted Project will demonstrate two different emission-reduction technologies in different vessel types across many duty cycles. Additionally, the Harbor Department will work with harbor craft operators, regulators, engine manufacturers, technology developers, and the United States Coast Guard (USCG) to evaluate next-generation technologies that could be feasible for tugboats, ferries, and pilot vessels operating in the San Pedro Bay.

Project Summary – The proposed Project will encompass the following three distinct components:

- Passenger Ferry with Tier 4 Engines and DPF – CCE will design, construct, launch, and demonstrate a high-capacity passenger ferry with Tier 4 propulsion engines and a DPF, assuming a DPF has been verified by CARB and approved

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by USCG at the time of engine installation. The new ferry, operated by CCE, will operate on renewable-diesel and replace three smaller ferries with Tier 2 and Tier 3 engines, enhancing the efficiency of regional ferry service and thus increasing the emissions benefits.

- Zero-Emission Capable Excursion Boats – HBC will design, construct, launch, and demonstrate two ZE capable hybrid excursion boats. The vessels are expected to exceed the definition of Zero Emission and Advanced Technology vessels under the CARB Harbor Craft Regulation. Each boat will have renewable-diesel powered Tier 4 propulsion engines for safety, resiliency, and added range, but will be able to operate a minimum of 30% of the time in ZE mode with some trips operating as much as 100% of the time in ZE mode depending on duty cycle and route length. Although not part of the Project, HBC also will install shore power at a public wharf to serve the ZE capable excursion boats.
- Next Generation Harbor Craft Technology Evaluation – The Harbor Department will develop a report to evaluate the commercial status of emission-reduction technologies, assess the feasibility of marinizing DPFs, request information from engine manufacturers on future low-carbon fuels and technologies, identify infrastructure gaps for ZE harbor craft, and understand workforce development needs specific to tugs, ferries, and pilot boats operating in the San Pedro Bay.

The proposed demonstration period will run from February 2026 through February 2027, with each vessel having a minimum of 12 months of operational data collected and analyzed.

The LA MER Project also includes a robust workforce plan, training harbor-craft workers in new engine technologies and advanced battery-electric solutions, while supporting recruitment programs that draw from the local, underserved community. The LA MER Project balances the need to reduce near term air-quality and health-risk impacts on adjacent disadvantaged communities with the long-term goal of carbon-neutral, zero-emission harbor vessels. Emission benefits include an estimated 1,503 metric tons reduction of carbon-dioxide equivalent (CO_{2e}) emissions and 113 weighted tons of criteria and toxic emissions per year.

Subrecipient Grant Agreements – This proposed Grant Agreement Project requires Subrecipient Agreements with CCE (Transmittal 1) and HBC (Transmittal 2) to execute the proposed Project. The subrecipients will be responsible for coordinating and subcontracting to design and construct the vessels as specified in the proposed Project, and to operate the vessels for the demonstration phase. Although not part of the Project, HBC will install shore power at a public wharf to serve the ZE capable excursion boats, as mentioned under the CARB Grant Agreement. These Subrecipient Agreements incorporate and require compliance with the CARB Grant Agreement. The Project team will work collaboratively to ensure that all conditions and schedules are satisfied in accordance with the CARB Grant Agreement.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of Subrecipient Agreements with CCE and HBC for the LA MER Project, which are administrative actions. 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 action will allow the Harbor Department to enter into Subrecipient Agreements with CCE and HBC as it relates to the LA MER Project.

CCE and HBC will be responsible for coordinating and subcontracting to design and construct the vessels as specified in the proposed Project, and to operate the vessels for the demonstration phase.

The total costs to design and build said vessels are listed below:

PROJECT	PROJECT PARTICIPANT	CARB GRANT FUNDS	MATCH FUNDING	TOTAL
Passenger Ferry	CCE	\$ 14,919,128	\$ 15,370,554	\$30,289,682
Excursion Boats (2)	HBC	\$ 15,801,248	\$ 15,110,938	\$30,912,186

The Harbor Department will pay invoices received from CCE and HBC only after grant funds are received from CARB.

The Grant Agreement and the Harbor Department's financial obligation under the grant will be presented under a separate Board action.

CITY ATTORNEY:

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

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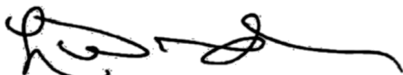
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TRANSMITTALS:

1. Subrecipient Agreement with Catalina Channel Express, Inc.
2. Subrecipient Agreement with Harbor Breeze Corp.

FIS Approval: JS (initials)

CA Approval: SO (initials)



LISA WUNDER
Acting Director of Environmental Management



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Deputy Executive Director

APPROVED:

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