



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: NOVEMBER 9, 2021**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE REVOCABLE PERMIT NO. 21-16 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND TAYLORED TRANSLOAD, LLC AND GUARANTY WITH TAYLORED SERVICES PARENT CO., INC.**

**SUMMARY:**

Staff requests approval of Revocable Permit No. 21-16 (RP) with Taylored Transload, LLC (Taylored) and approval of the Guaranty between Taylored Transload, LLC and Taylored Services Parent Co., Inc. Under the proposed RP, Taylored will use and occupy 85.5 acres of City of Los Angeles Harbor Department (Harbor Department) property located at 2401 E. Pacific Coast Highway in Wilmington that is comprised of land and warehouses for purposes of operating a transloading and warehousing facility. The proposed award of RP No. 21-16 arises from a public competitive solicitation process that commenced on September 13, 2021, and closed on October 5, 2021, in which four proposals were received, analyzed and reviewed, and scored by a review panel consisting of Harbor Department and other City of Los Angeles personnel. That public competitive process ultimately resulted in staff's determination that Taylored was the superior proposer.

Annual rent under the proposed permit is expected to be \$10,854,000 (\$904,500 per month) in the first year with a Consumer Price Index adjustment in year two of no less than 3 percent. The RP is revocable upon 30 days' written notice, with a maximum term of two years.

**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 and Section 15301 of the State CEQA Guidelines;
2. Find that the proposed action is in the best interest of the City of Los Angeles Harbor Department as it facilitates supply chain efficiency and enables job retention and creation;
3. Approve Revocable Permit No. 21-16 with Taylored Transload, LLC.;
4. Approve the Guaranty between Taylored Transload, LLC and Taylored Services Parent Co., Inc.;

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5. Authorize the Executive Director to execute and the Board Secretary to attest to the Revocable Permit; and
6. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background - The premises covered by the proposed RP are located at 2401 Pacific Coast Highway in Wilmington (Transmittal 1) within the same footprint of the proposed future BNSF Railway Company (BNSF) Southern California International Gateway (SCIG) project. The Harbor Department issued lease documents for the site that were terminated in 2013 pursuant to the development agreement between the Harbor Department and BNSF, and subsequently were replaced by a BNSF license. That license, and development of the SCIG project, had been set aside by order of the California Court of Appeal, in connection with litigation concerning the SCIG project's final environmental impact report. As such, continued operations on the premises required a new entitlement to establish lawful occupancy and use of the property, and to implement contractual provisions such as those concerning rent, indemnity, insurance, environmental remediation, and compliance with applicable laws. While the SCIG project progresses through the legal process, the Harbor Department issues month-to-month real estate entitlements for the premises to facilitate the beneficial use and productivity of this strategically important asset during a time of unprecedented cargo volume.

Currently, the premises are occupied by Toll Global Forwarding SCS (USA) (Toll) under Revocable Permit No. 19-10 (RP 19-10). The Board approved a First Amendment to RP 19-10, extending the expiration date from October 7, 2021, to January 31, 2022, subject to termination by either party with 30 days' prior written notice. Pursuant to that amendment, Toll will vacate the premises no later than January 31, 2022.

Under this action and following the procurement process described below, the Harbor Department would enter into a successor Revocable Permit with Taylored, which is expected to take effect no later than February 1, 2022. Taylored is a Delaware based LLC that rolls up to Taylored Fulfillment Services, LLC, which is owned by the RP's guarantor, Taylored Services Parent Co. Taylored Services has extensive experience in warehousing, distribution and fulfillment with established operations in the Los Angeles market encompassing 11 facilities and over 2 million square feet of distribution space under management. Taylored currently operates at the premises under a service agreement with Toll. Going forward, Taylored plans to operate the entire site and utilize it for import, storage and transport of products ranging from automotive and industrials to retails and consumer packaged goods, in accordance with the RP's permitted uses.

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Taylorred’s hiring at the site is subject to the City of Los Angeles Worker & Retention Ordinance and having a Labor Peace Agreement in place at the time of award. Taylorred estimates a minimum of 149 employees will be needed on-site to work the transload, yard and warehouse operations, and is committed to maintain the current workforce that is on-site. Taylorred clarified in the interview process that once the RP is executed there will be opportunities to increase the workforce as they develop future relationships with key providers for services at the site.

Procurement Process - On October 5, 2021, four proposers submitted proposals in response to the Request for Proposal (RFP) for the Leasing Opportunity for 2401 E. Pacific Coast Highway, Wilmington, CA 90744. The proposals were reviewed by a five-member Evaluation Panel, which consisted of the following:

- Director, Harbor Department, Financial Management
- Director, Harbor Department, Planning
- Marketing Manager, Harbor Department, Cargo Marketing
- Marine Environmental Manager, Harbor Department, Environmental Management
- Senior Real Estate Officer, Los Angeles World Airports, Commercial Development

The Evaluation Criteria, published in the RFP and shown below, were used to rank the proposals. Consistent with the RFP selection guidelines, the Evaluation Panel elected to interview the proposers. Interviews were conducted on October 18, 2021. Following the interviews, the Evaluation Panel scored the proposals based on the Evaluation Criteria shown in the table below.

<u>Criteria</u>	<u>Possible Points</u>
Organization and Team	15
Qualifications, Experience, and References	15
Business and Operations Plan	20
Financial Capability	20
Financial Proposal	30
Total Score	100

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The Solicitation – On September 13, 2021, the Harbor Department released an RFP in conformity with Section II(1) of the Harbor Department’s Leasing Policy, which sought interest in a month-to-month leasing opportunity for a maximum of two years, with no possibility of any extension.

Provided below is an overview of the solicitation:

– Commercial Terms:

- The premises are provided to the successful proposer as-is on the effective date of the permit, for a term of two years, without any right of holdover or any possibility of extension(s)
- Redevelopment is prohibited at the site
- The RFP prescribed the minimum accepted monthly rent that could be proposed under the permit and took into account 1) the short-term nature of the permit, and 2) the physical characteristics of the facility.

The Harbor Department published the RFP on the City of Los Angeles’ solicitation platform, Los Angeles Business Assistance Virtual Network (LABAVN), as well as a referral to LABAVN on [www.loopnet.com](http://www.loopnet.com), a commercial site that lists properties for lease or sale that receives nationwide exposure and alerted potential interested parties of the opportunity (e.g., cargo transloading contacts and current Harbor Department tenants, etc.). Four proposals were received by the proposal due date.

Proposed Award - In conformity with Section IV(3) of the Harbor Department’s Leasing Policy, which requires the performance of due diligence in tenant selection, the Taylored Transload, LLC proposal met all of the requirements of the RFP, and received the highest number of points from the Evaluation Panel. As such, staff is recommending 1) award and approval of the RP to Taylored Transload, LLC; and 2) approval of the guaranty between Taylored Transload, LLC and Taylored Services Parent Co., Inc.

Taylored’s RFP submission provides the Harbor Department with the best combination of corporate financial health; sustainable business and operation plan; ability to provide a guaranty on rent, along with fair rent for the use of the property considering its present physical condition; and the functional obsolescence of the warehouse structures (i.e. limited clear height, partitions limiting internal movement and roof support beams that must be navigated around). The proposed rent by Taylored represents a 99 percent increase relative to current rent received from this site and a 35 percent increase relative to the minimum rent offer requested within the RFP. This rent level is considered fair market value, reflecting the permit’s limited term, size of the premises, and increase in the value of industrial real estate over the past two years, as well as the increase in demand for industrial property close to the Port complex.

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In addition, the continuity of the operations at the premises will benefit the supply chain with the movement of cargo off Harbor Department property. Seeking to maintain transload and warehousing capabilities at the Port of Los Angeles will assist existing customers that rely on this service and make their operations more efficient/attractive.

Following the interviews, the Evaluation Panel scored the proposals based on the Evaluation Criteria shown in the table below. Maximum possible score was 500 points, as determined by the five panelists.

<u>Criteria</u>	<u>Possible Points</u>
Organization and Team	15
Qualifications, Experience, and References	15
Business and Operations Plan	20
Financial Capability	20
Financial Proposal	30
Total	100

<u>Proposer</u>	<u>Total Points</u>
Taylorred Transload	423
Proposer B	363
Proposer C	338
Proposer D	317

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Proposed Permit

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

<u>Provisions</u>	<u>Description</u>
Real Estate Entitlement	Revocable Permit
Effective Date	Upon approval by the Executive Director
Permitted Use	Operation of a transload facility, including receiving and unloading ocean containers; storage of product; loading outbound trailers; parking of chassis, containers (loaded and empty) and trailers; routine and preventative truck maintenance; office, clerical and related activities. Tenant may stack cargo containers at the Premises, subject to prior written approval by the Executive Director.
Term	Two years
Holdover Provision	None
Extension Options	None
Premises (See Transmittal No. 1)	Total Site Area: 85.504 Acres, composed of: <ul style="list-style-type: none"> <li>- (3) Transloading Warehouses totaling 610,636 Sq. Ft.</li> <li>- 70.811 Acres of paved land</li> <li>- 29,871 Sq. Ft. unpaved land adjacent to Pacific Coast Highway</li> </ul>
Compensation	1. Year 1: \$904,500 per month (\$10,854,000 annual)  2. Year 2: +greater of 3% or CPI
Environmental Operating Conditions	Taylorred must comply with the following: <ul style="list-style-type: none"> <li>- Specific Best Management Practices for facility operations on paved and unpaved areas.</li> <li>- Clean Truck Program</li> <li>- Deployment of cargo handling equipment with the cleanest available equipment anytime new or replacement equipment is purchased</li> </ul>

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Maintenance	Taylorred is responsible for all maintenance, repair, and utility charges, at its sole cost and expense.
Restoration	Taylorred is responsible for restoring the premises at the expiration or earlier termination of the Permit.  Attached to the RP is a baseline exhibit depicting the condition of the premises as of the Effective Date.
Insurance	Insurance provision includes all standard insurance requirements and has been reviewed as acceptable by the Risk Management Division.
Security Deposit	Three months' rent
Guaranty	Taylorred Services Parent Company, Inc. has agreed to irrevocably guarantee the timely payment and performance of all obligations of Taylorred arising under the proposed Permit.  See Transmittal No. 3.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of Revocable Permit No. 21-16 with Taylorred Transload, LLC., which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of existing or former 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 and Section 15301 of the State CEQA Guidelines.

**FINANCIAL IMPACT:**

The proposed RP will produce revenue of \$904,500 per month to the Harbor Department, or \$10,854,000 over the first year. This amount will increase by the greater of 3 percent or CPI on the first anniversary of the effective date. The Guaranty with Taylorred Services Parent Co., Inc. will ensure continuity of rent should the economic climate change. Total revenue is expected to be no less than \$22,033,620 over the two-year term of the permit.

The proposed Year 1 rent of \$10,854,000 represents a 99 percent increase relative to the annual rent of \$5,465,636 paid by the existing tenant at the premises. Furthermore, the proposed Year 1 rent represents a 35 percent premium to the \$8,040,000 minimum rent offer detailed within the RFP.

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Based upon the competitive, public RFP process which resulted in offers received from four proposers, staff has determined that the proposed Year 1 annual rent of \$2.91 per square foot represents an indicative market rate. This market rate accounts for the significant amount of deferred maintenance associated with the on-site improvements, the location of the premises outside the confines of the core Port complex, and the relatively short two-year term, as well as the 30-day termination clause associated with the proposed entitlement.

**CITY ATTORNEY:**

The Office of the City Attorney has prepared and approved proposed Revocable Permit No. 21-16 as to form and legality.

**TRANSMITTALS:**

1. Site Map
2. Revocable Permit
3. Guaranty

FIS Approval: MB  
CA Approval: SO

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