



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 12, 2015

FROM: PLANNING & ECONOMIC DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF A LETTER
OF INTENT 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 Letter of Intent (LOI) 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 Harbor Department has been in negotiations with the Developer since March 2013, under an Exclusive Negotiating Agreement (ENA). Recently the parties have reached agreement on several critical issues that will allow the term sheet negotiation process and project concept scoping to advance. The parties are now focused on expedited delivery of the initial phase of the Developer's project concept. The LOI recognizes the progress made to date and the parties' intent to reach agreement on a defined project scope and term sheet within the next four months. During the term of the LOI, 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 California Environmental Quality Act/National Environmental Policy Act (CEQA/NEPA) compliance costs, which may result from the eventual project scope. If CEQA/NEPA costs occur, the parties' financial obligations will be memorialized in a cost share agreement, based on an agreed percentage split of 25 percent to the Harbor Department and 75 percent to the Developer.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Letter of Intent 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 Letter of Intent, 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 (Transmittal 1) 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. The existing tenant leases expired on December 31, 2014, and are currently on month to month hold over. 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.

Following the release of a Request for Qualifications 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 of experience in commercial property development, construction, renovation, and operations. Jerico Development is a San Pedro-based development firm that specializes in rehabilitating commercial buildings.

Project Status – In November 2014, the Harbor Department produced a Financial Feasibility Analysis (FFA) for the proposed redevelopment of the Ports O' Call site. The FFA was prepared by Pro Forma Advisors, a firm specializing in analyzing feasibility and likely market performance for retail, dining and entertainment development projects. Based on the findings of the FFA, the Harbor Department identified three major infrastructure projects that are planned to prepare the Ports O' Call site for redevelopment and near term projected visitor growth estimated in the FFA. Those projects include the Sampson Way & 7th Street Intersection Improvements, Town Square at 6th Street, and Ports O' Call Promenade and Parking (on site and bluff area surface parking improvements). The Harbor Department began design of the Sampson Way & 7th Street Intersection Improvements in 2014 and a funding request for the design of the remaining projects will be included in the fiscal year (FY) 2015/2016 budget. The projects are anticipated to be completed no later than FY 2019/2020. Opportunities for an earlier phased delivery that will allow the Developer to complete their first phase of construction and commence operations prior to FY 2019/2020 will be explored over the next four month period.

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Following identification of the three essential projects referenced above and the decision to move forward with programming these projects in capital improvement program planning, the Developer and the Harbor Department have made progress towards negotiating a term sheet and eventual ground lease for the Ports O' Call site. The LOI (Transmittal 2) is intended to recognize this progress and identify the critical path issues that must be achieved in the next four months to expedite delivery of the Ports O' Call project, which is in the joint interest of the Harbor Department and the Developer.

Letter of Intent Tasks – In the following four months, the Harbor Department and the Developer will engage in a series of tasks required to come to an agreement on a term sheet and eventual ground lease for the Ports O' Call site. The Developer will refine their project concept in alignment with the scope of infrastructure and likely market demand outlined in the FFA. This will include a public presentation to receive public input on the revised site plan and development concept. The Developer and Harbor Department will reach agreement on construction phasing to ensure expedited commencement of operations for the new development. The Developer will market the new concept to existing and potential new tenants to determine actual market demand and financial feasibility of their specific development concept. Lastly, based on all of the results of these tasks, the Developer and Harbor Department will come to agreement on all commercial and standard terms required to enter complete term sheet negotiations and enter into a 50-year ground lease for the Ports O' Call site.

ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to approval of a LOI with the Developer 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 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 LOI provides both parties the opportunity to continue the exclusive negotiations between the Harbor Department and the Developer. The LOI 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 LOI include staff time and a 25 percent share of any CEQA/NEPA assessment work, which

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at this time is unknown pending the finalization of the development concept. Additional financial details for the proposed Ports O' Call development concept are pending further refinement based on the scope of the above mentioned infrastructure projects, the findings of the FFA, and various other general economic conditions.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Site Map
2. Letter of Intent

FIS Approval: MB (initials)
CA Approval: JO (initials)


MICHAEL GALVIN
Director of Special Projects

APPROVED:


EUGENE D. SEROKA
Executive Director

Author: M. Galvin