



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 30, 2019

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE THE OPTION TO
EXTEND THE TERM OF AGREEMENT NO. 14-3269 WITH CAL PACIFIC
LAND SERVICES, INC. FOR AN ADDITIONAL FIVE-YEAR PERIOD**

SUMMARY:

Staff requests approval to exercise the first of two, five-year extension options in the subject agreement (Agreement) among Cal Pacific Land Services, Inc. (Cal Pacific), the City of Los Angeles Harbor Department (Harbor Department) and the Port of Long Beach (POLB) (collectively, Ports), for an amount not to exceed \$1,053,165 for the five-year term. Pursuant to the terms of the Agreement, the Ports may exercise the extension option upon concurrence of both Executive Directors and approval by both Ports' boards. POLB's board approved the extension option at its October 14, 2019 meeting.

Cal Pacific oversees and manages approximately 800 jointly-owned property agreements that span across 49 miles of rail. The costs for services provided pursuant to the Agreement are split evenly between the Ports. The amount of the contract authority requested above represents the Harbor Department's share of the total contract cost for the extension term.

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 Class or Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the staff's recommendation to exercise the option to extend Agreement No. 14-3269 with Cal Pacific Land Services, Inc.;
3. Authorize the Executive Director to execute the extension letter for Agreement No. 14-3269; and
4. Adopt Resolution No. _____.

SUBJECT: FIVE-YEAR EXTENSION - CAL PACIFIC LAND SERVICES, INC.

DISCUSSION:

Background – From 1992 to 1995, the Ports jointly purchased railroad properties between downtown Los Angeles and the San Pedro Bay, formerly owned by Southern Pacific Railroad, Union Pacific Railroad, Atchison, Topeka & Santa Fe Railway, and Burlington Northern Santa Fe Railway, for the development of the Alameda Corridor. The Ports hold all railroad properties as tenants in common, whereby revenue and expenses derived from such properties are split equally between the Harbor Department and POLB as co-owners.

In 2013, the Ports published a Request for Proposals for real property management services for the jointly-owned rail properties which includes the administration of over 800 occupancy and crossing agreements (spanning over 49 miles). See Transmittal No. 1 for a depiction of the right-of-way. From the six proposals received, the Ports determined that Cal Pacific submitted the most competitive proposal overall. In November 2014, following the competitive process, the Board and the Los Angeles City Council approved the Agreement to retain Cal Pacific.

Under the Agreement, Cal Pacific's responsibilities include:

- Manage and negotiate successor contracts, renewals, and assignments/transfers;
- Prepare and process joint revocable property contracts, amendments, various exhibits, maps, title reports, and other related documentation;
- Implement rental adjustments;
- Handle billing and collection of rent and associated fees;
- Process evictions;
- Perform property inspections on a regular and consistent basis;
- Perform property maintenance, including repairing/replacing signs and fencing, removing graffiti, and addressing homeless encampments in coordination with third-party agencies.

Pursuant to the terms of the Agreement, Cal Pacific charges set hourly rates for performing the above work, up to the not to exceed amount approved by the Ports. The Ports jointly developed the not to exceed budget for this proposed extension period after conducting an assessment of projected workload, and taking into account scheduled rate increases based on the Consumer Price Index (Los Angeles Area) (CPI). For the period of 2014 to 2019, the Ports budgeted \$959,000; however, the actual expenditure totaled \$774,000, which reflects the actual number of hours performed.

The Ports are currently identifying the joint property agreements that are affected by the Board-approved real property exchange (expected to close in the next 90 days) and may recommend, at a later date, an Agreement amendment to right size the scope.

On average, Cal Pacific collected \$1.45 million per year in total rental revenue on behalf of the Ports. Since the inception of the Agreement, Cal Pacific has enhanced revenue to the Ports by approximately \$326,000 per year, an increase of 27 percent, with each port receiving its 50 percent proportionate share of revenue. This increase is attributable to Cal Pacific's review of the agreements and determination that many of the agreements warranted rental rate increases either by applying a CPI increase or increasing rents to market rates.

SUBJECT: FIVE-YEAR EXTENSION - CAL PACIFIC LAND SERVICES, INC.

The term of the Agreement commenced on November 19, 2014, for a term of five years with two optional consecutive renewal periods of five years, for a potential aggregate term of 15 years. The Ports may exercise the extension option(s) upon concurrence of both Executive Directors and approval of both Ports' Board of Harbor Commissioners (Transmittal 2). Staff requests approval to exercise the first renewal option to extend the Agreement by five years pursuant to the terms of the Agreement, effective November 19, 2019.

Below are the material terms of this action:

Provision	Description
Term	Five-year extension, effective November 19, 2019
Termination	Subject to termination upon mutual agreement of the Ports upon 10 days' notice to the contractor
Compensation	Not to exceed \$210,633, per year, per port Maximum amount payable by the Harbor Department for the five-year extension would be \$1,053,165

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval to exercise the first, five-year term extension to the Agreement, which is an administrative activity. 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:

The Harbor Department's obligation would not exceed an amount of \$1,053,165 over the five-year extension under the Agreement. The Harbor Department's obligation to pay any amount due for any fiscal year after the current fiscal year is contingent upon the appropriation of funds. It is anticipated that funds under the proposed Agreement will not exceed as follows:

Period	Expense		
	POLA Portion	POLB Portion	Total
FY 2019/2020	\$ 210,633	\$ 210,633	\$ 421,266
FY 2020/2021	\$ 210,633	\$ 210,633	\$ 421,266
FY 2021/2022	\$ 210,633	\$ 210,633	\$ 421,266
FY 2022/2023	\$ 210,633	\$ 210,633	\$ 421,266
FY 2023/2024	\$ 210,633	\$ 210,633	\$ 421,266
Total (for 5 years)	\$1,053,165	\$1,053,165	\$2,106,330

SUBJECT: FIVE-YEAR EXTENSION - CAL PACIFIC LAND SERVICES, INC.

The required funding for the extension term represents a 9.82 percent increase over the prior five-year period, which is attributed to a scheduled adjustment based on cumulative increase in CPI for the prior five-year period.

Funds in the amount of \$210,633 are available in Fiscal Year 2019/2020 in Account 54290 (Miscellaneous Professional Services), Center 0424, Program 000. The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required by the Agreement, the Agreement would be terminated. However, such termination would not relieve the parties of liability for any obligations previously incurred. Future year funds will be requested to be budgeted through the Harbor Department's annual budgeting process, upon Board approval.

CITY ATTORNEY:

The Office of the City Attorney has reviewed the Board Report, and there are no legal issues at this time.

TRANSMITTAL:

1. Right-of-Way Depiction
2. Extension Letter



MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

FIS Approval: 
CA Approval: 


MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA ^{FOK}
Executive Director

EDS:RG:TY:raw
Author: Tony Yeh
BL806raw Cal Pacific Extension