



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 5, 2019

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ – EXCHANGE OF RAIL
PROPERTY INTERESTS BETWEEN THE CITY OF LOS ANGELES
HARBOR DEPARTMENT AND THE HARBOR DEPARTMENT OF
LONG BEACH**

SUMMARY:

Staff is requesting approval of a real estate exchange and several supporting instruments that will complete the contemplated rail property exchanges and purchases of the 1994 Alameda Corridor project and give each the City of Los Angeles Harbor Department (POLA) and Harbor Department of Long Beach (POLB) control over the rail property within their respective Harbor District. Certain rail property which both Ports believe would be in their best interests to continue to manage together as joint tenants pursuant to a Tenancy in Common (TIC) Agreement has been excluded from the proposed transfer.

As this exchange revolves around rail property existing within POLA and POLB's (collectively Ports) respective Harbor Districts, it is important to note that there is a greater amount of jointly-owned rail property in POLA's Harbor District. Consequently, POLA will receive substantially more property in the exchange with POLB. The negotiated cost of the "excess" (the amount greater than the jointly held property within POLB's Harbor District) property is \$9,148,155. Staff requests approval to expend \$9,148,155 to be paid to the POLB for the "excess" property found within POLA's Harbor District. In addition, staff requests the approval of the documents connected to this transaction which consist of Quitclaim Deeds, an amended TIC Agreement, a Master Agreement (MA), and an Order and draft Ordinance. The Ports will concurrently seek approval of the above documents from their respective governing authorities. Execution of Deeds, Agreements, MA and transfer of funds will not occur until all requisite approvals are obtained by the Ports from each of their respective governing authorities, and will become effective at such time.

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 generally exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 1 of the Los Angeles City CEQA Guidelines;

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2. Find that pursuant to Section 385 of the City of Los Angeles Charter, the Harbor Department Property is no longer required for use by the City of Los Angeles and the public interest and necessity require the exchange and authorize the private exchange;
3. Find that pursuant to Section 7.27 of the City of Los Angeles Administrative Code, the proposed private exchange of real property owned by the City of Los Angeles Harbor Department with the Harbor Department of Long Beach without notice of sale or advertisement for bids is in the public interest, is a public necessity, and is in the best interest of the City of Los Angeles Harbor Department;
4. Find that this transaction is in the public interest in that it will create public benefits, including, but not limited to: efficiencies in the administration of port lands, rail transportation throughout the San Pedro Bay port complex, and complete the intended ownership framework of the Ports' 1994 Alameda Corridor rail lands acquisition.
5. Approve the budgetary transfer of \$9,148,155 from the Unappropriated Balance to Account 13786 (Capitalized Fixed Asset Acquisition), Center 1800, Program 000 for the property purchases associated with this request;
6. Direct the Board Secretary to transmit the Resolution, Order, and Ordinance to the mayor for approval pursuant to Section 343(b) of the City Charter;
7. Direct the Board Secretary to notify the City Clerk of such transfer pursuant to Section 343(d) of the City Charter at the time such transfer is made;
8. Authorize the transfer of \$9,148,155 to Account 13786 (Capitalized Fixed Asset Acquisition), Center 1800, Program 000 for the payment of the cost of the excess acreage owned by POLB in connection with this transaction;
9. Adopt the Order and approve the draft Ordinance in substantial form and direct the Board Secretary to transmit the Order and Ordinance approving and authorizing the private exchange as described in the Master Agreement attached for approval pursuant to City Charter Section 385 and City Administrative Code Section 7.27;
10. Approve the amended Tenancy In Common Agreement;
11. Approve the Master Agreement;
12. Approve the Quitclaim Deeds attached hereto as Transmittals 1-4 and authorize the Executive Director to execute and the Board Secretary to attest to the Quitclaim Deeds, Tenancy in Common Agreement, Master Agreement, and other ancillary documents required for these transfers upon approval by City Council; and
13. Adopt Resolution No. _____.

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Background – In 1994, the Ports formed a Joint Powers Authority known as the Alameda Corridor Transportation Authority (ACTA) for the purpose of acquiring the necessary properties needed to construct the Alameda Corridor project. In order to expedite the original ACTA acquisitions and as part of the agreements with the railroad companies, the Ports acquired certain railroad properties jointly that fell outside of the Alameda Corridor project footprint. It was initially contemplated that each port would own the rail properties within their own respective harbor district. In essence, the realization of that original intent is being realized through the herein proposed actions; and by so doing will further the public interest in that it will create public benefits, including, but not limited to: efficiencies in the administration of port lands, rail transportation throughout the San Pedro Bay port complex, and complete the intended ownership framework of the Ports' 1994 Alameda Corridor rail lands acquisition.

Deeds – The property which is the subject of this action consists of 338 assessor parcels located within the Ports' Harbor Districts, totaling approximately 43.865 acres or 1,910,701 square feet. The property rights being exchanged/sold consist of four types, which will be conveyed in corresponding deeds listed below:

1. Quitclaim Deed transferring the Harbor Department's interests in rail property located in POLB harbor district (Transmittal 1).
2. Quitclaim Deed transferring POLB's interest in rail property located in Harbor Department's harbor district (Transmittal 2).
3. Quitclaim Deed conveying a 50 percent interest of Harbor Department-owned rail property to POLB as tenants in common (Transmittal 3).
4. Quitclaim Deed conveying a 50 percent interest of POLB owned Rail Property to Harbor Department as tenants in common (Transmittal 4).

Financial Consideration – The difference in the physical amount of property being exchanged results in POLB conveying a larger portion of property interests to POLA than POLA is conveying to POLB. Negotiations have resulted in POLB agreeing to accept a payment of \$9,148,155 (Transmittal 5) as payment in full for the transfer of all its rights, title, and interest in rail property acreage as satisfaction for the excess of the exchange of property interests.

Agreements and MOU's – Currently, there is a TIC Agreement in place that outlines the property rights and co-management of the jointly-owned rail property, which also includes a portion of the property to be transferred by this action. The TIC without an extension will expire pursuant to its terms in 2021. The TIC Agreement contains the approval procedures for projects contemplated on property within its jurisdiction such as: construction projects, physical alteration and/or abandonment of service of any jointly-owned rail right-of-way (ROW). These proposed actions must be submitted to both the Property Operating Committee (POC) for review and approval, as well as, to the Ports' respective Board of Harbor Commissioners.

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The amendment to the TIC Agreement (Transmittal 6) reflects the removal/addition of rail property rights being exchanged/sold, insures continued joint access to the Alameda Corridor for both Ports, and maintains flexibility for cooperation in any future joint or individual projects.

To ensure future clarity and understanding of the amended TIC Agreement, property transfer deeds, the MA (Transmittal 7) was drafted. The MA provides a summation of the purpose and instruments used for the exchange/sale. This agreement makes clear the intent of the rail property exchange/sale well into the future in an effort to avoid potential points of conflict arising from any confusion due to the brevity of recorded documents (Quitclaim Deeds and corresponding legal descriptions and map exhibits).

Effect on Harbor Department Operations

Approval of the Deeds, MOU's, and financial consideration will remove any POLB rights in future Harbor Department projects within the Harbor Department's boundaries with the exception of the property subject to the TIC Agreement.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a proposed exchange/sale of property interests between POLA and POLB, which is an activity that can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Therefore, the Director of Environmental Management has determined that the proposed action is generally exempt from the requirements of CEQA in accordance with Article II Section 1 of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Payment of the \$9,148,155 expenditure is the financial responsibility of the Harbor Department. However, Fiscal Year (FY) 2019/2020 funding was not made available within Account 13786 (Capitalized Fixed Asset Acquisition), Center 1800, Program 000 for this purpose. Therefore, a transfer of \$9,148,155 from the Unappropriated Balance to Account 13786, Center 1800, Program 000 is required at this time.

If approved, \$9,148,155 will be transferred to Account 13786, Center 1800, Program 000 and that funding of \$9,148,155 will then be transferred to the POLB in order to effectuate the transfer of POLB's rights, title as well as interest in and to those properties that are the subject of this transaction.

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CITY ATTORNEY:

The Office of the City Attorney has prepared the Amended TIC Agreement, the Master Agreement, Board Order (Transmittal 8), and draft Ordinance (Transmittal 9) and approved all documents as to form and legality.

TRANSMITTALS:

1. Quitclaim Deed – Harbor Department to POLB
2. Quitclaim Deed – POLB to Harbor Department
3. Quitclaim Deed – Harbor Department to POLB as Tenants in common
4. Quitclaim Deed – POLB to Harbor Department as Tenants in common
5. Summary of Jointly-Owned Transfers
6. Amended TIC Agreement
7. Master Agreement
8. Board Order
9. Ordinance
10. Map



ED ROBLES
Joint Rail Task Force

FIS Approval: 

CA Approval: 



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:ER:raw
Author: Ed Robles
BL766raw Joint Rail Property