



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

DATE: SEPTEMBER 4, 2024

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE THE SECOND 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 second, five-year extension option to Agreement No. 14-3269 (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). In addition to the extension of time, staff is also requesting additional funding in an amount not-to-exceed \$1,257,227 over the five-year extension. Pursuant to the terms of the Agreement, the Ports may exercise the extension option upon concurrence of the Executive Director and Chief Executive Officer of each respective Port, and upon approval by the Board of Harbor Commissioners of both Ports. Further, the extension option is conditioned upon an increase in rates by the cumulative percentage increase in Consumer Price Index (CPI) from July 2019 to April 2024, which results in an increase of 21.1 percent.

Cal Pacific oversees and manages approximately 800 jointly owned property agreements that span across approximately 49 miles of railroad property. 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 and represents an increase of 19.4 percent or \$204,062 when compared to the budget for 2019-2024.

POLB staff plans to present the second extension for consideration at the POLB Board of Harbor Commissioners meeting in September 2024.

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 staff's recommendation to exercise the second option to extend Agreement No. 14-3269 with Cal Pacific Land Services, Inc.;

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3. Authorize the Executive Director to execute the extension letter for Agreement No. 14-3269; and
4. Adopt Resolution No. _____.

DISCUSSION:Background

Joint-port portfolio: 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 equitably between the Harbor Department and POLB as co-owners. On average, the joint port portfolio currently generates \$1.96 million per year in total rental revenue to the Ports. The portfolio, which includes the administration of over 800 revocable permits and license agreements (spanning over 49 miles), has been managed by a neutral third-party contractor on behalf of the Ports since 2002. See Transmittal 1 for a depiction of the right-of-way.

Summary of Agreement with Cal Pacific: The Agreement arises from a competitive process conducted in 2013, for real property management services for the jointly owned rail property portfolio. The Agreement arose from the need of the Ports to hire a neutral, third-party property manager that could best serve the Ports' interests in the negotiation of contracts, collection of funds, management of costs, mediation of conflicts and in the performance of maintenance responsibilities tied to the jointly owned properties.

Under the Agreement, Cal Pacific's responsibilities include:

- Management and negotiation of contracts, renewals, and assignments/transfers;
- Preparation and processing of joint revocable property contracts, amendments, various exhibits, maps, title reports, and other related documentation;
- Implementation of rental adjustments;
- Handling of billing and collection of rent and associated fees;
- Processing of evictions;
- Performance of regular property inspections; and
- Performance of property maintenance, including repairing/replacing signs and fencing, removing graffiti, and addressing homeless encampments in coordination with third-party agencies.

Term: 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 have the right to exercise the extension option(s) upon concurrence of the Executive Director and Chief Executive Officer of each respective Port, and upon approval of the Board of Harbor Commissioners of both Ports (Transmittal 2). Based on the concurrence of the Executive Director to exercise the option to extend the Agreement, staff requests approval to exercise the second renewal option to extend the

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Agreement by five years pursuant to the terms of the Agreement, effective November 19, 2024.

Rates and Charges: Pursuant to the terms of the Agreement, Cal Pacific charges set hourly rates for performing the work, with total compensation up to the not-to-exceed annual 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 the Agreement required rate increases based on the cumulative change in CPI (Los Angeles Area) for April 2024 vs July 2019. For the period of 2019 to 2024, the Harbor Department budgeted \$1,053,165; however, the actual expenditure is projected to total about \$700,000, reflecting the actual number of hours expended in performance of the contract. During the second renewal option term, Cal Pacific is expected to work the total amount of budgeted hours at higher hourly rates required to service additional projects not included in the prior option period involving specialized property management work on the Metropolitan Transportation Authority's Southeast Gateway Line project and the reconciliation of numerous complex utility right-of-way railroad crossing entitlements, all of which underpin the increase in total appropriation of contract funds now being sought.

Below are the material terms of this action:

Provision	Description
Term	Five-year extension, effective November 19, 2024
Termination	Subject to termination upon mutual agreement of the Ports upon 10 days' notice to the contractor
Compensation	Not to exceed \$251,445.42, per year, per port Maximum amount payable by the Harbor Department for the five-year extension would be \$1,257,227

Concurrent Process to Solicit a Successor Contract: Notwithstanding Cal Pacific's willingness to extend the Agreement for an additional 5-year period, Cal Pacific has indicated its intent to scale back its business operations and eventually terminate the Agreement prior to the expiration of the second extension option as part of its business exit strategy. The Ports have thus proceeded to release a request for proposal on March 11, 2024, to solicit offers for a replacement contract for property management services currently performed by Cal Pacific and are presently in the processing of reviewing proposals for the successor company. The exercise of the second extension option by the Ports is an interim measure being undertaken to maintain continuity of services until an award and contract for services with a new company is complete and a successful transition has been achieved.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval to exercise the second of two, five-year extension options for the Agreement with additional funding, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed

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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 financial obligation will not exceed \$1,257,227 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 be as follows:

Expense			
Period	POLA Portion	POLB Portion	Total
¹ FY 2024/2025	\$ 146,676.50	\$ 146,676.50	\$ 293,353
FY 2025/2026	\$ 251,445.42	\$ 251,445.42	\$ 502,890.84
FY 2026/2027	\$ 251,445.42	\$ 251,445.42	\$ 502,890.84
FY 2027/2028	\$ 251,445.42	\$ 251,445.42	\$ 502,890.84
FY 2028/2029	\$ 251,445.42	\$ 251,445.42	\$ 502,890.84
¹ FY 2029/2030	\$ 104,768.92	\$ 104,768.92	\$ 209,537.84
Total (for 5 years)	\$1,257,227	\$1,257,227	\$2,514,454

¹ First and last fiscal year expenses reflective of partial year periods

The required funding for the extension term represents a 19.38 percent increase over the prior five-year period, which is attributed to a scheduled adjustment in compensation rates based on a cumulative increase in CPI from the prior five-year period. Cal Pacific’s staff rates for the ensuing contract term reflect an increase of 21.1 percent over the prior five-year period.

FY 2024/2025 funds in the amount of \$146,676.50 are available within 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.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Right-of-Way Depiction
2. Second Extension Option Letter Agreement

FIS Approval: *JS*
CA Approval: *SO*

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