



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 10, 2013

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF THE PORT OF
LOS ANGELES ASSET MANAGEMENT POLICY

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) operates in a world of increasing competition, rising energy costs, shifting demand for containerized cargo, and changing environmental and land use regulations. As a result, the Harbor Department has developed The Port of Los Angeles Asset Management Policy (Asset Management Policy), a comprehensive real property management program to utilize the assets under its control in a more efficient and effective manner. Among other management objectives, the program addresses how the Harbor Department will approach its facilities and other real property asset holdings, as necessary, to ensure compliance with the parameters of previously accepted policies mandated by the Board of Harbor Commissioners (Board), such as the Financial Management policies, and to protect the interests of the citizens of Los Angeles and California.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve and adopt the Port of Los Angeles Asset Management Policy; and
2. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The Harbor Department's real property asset portfolio includes approximately 10,000,000 square feet of property improvements (primarily wharves, piers, engineered/paved backlands, on-dock/near-dock rail, and numerous buildings of differing type and purpose). The net book value of the improvements, excluding land value, is approximately \$1.47 billion. The majority of the Harbor Department's portfolio is comprised of Harbor Department-owned, tenant-operated facilities. Resource constraints and management practices over time have impaired the ability of the portfolio to fully support the Harbor Department's mission.

SUBJECT: APPROVAL OF ASSET MANAGEMENT POLICY

The Port of Los Angeles 2012-2017 Strategic Plan (Strategic Plan) identifies three key result areas: competitive operations, strong relationships, and financial strength. Additionally, the Strategic Plan outlines seven strategic objectives which support achievement of the key results. These objectives serve as the guiding principles of the overall strategic management of the Harbor Department's real property assets. The seven objectives are:

1. Develop and Maintain World Class Infrastructure
2. Retain and Grow Market Share
3. Advance Technology and Sustainability
4. Optimize Land Use
5. Create a Positive Workplace Culture
6. Increase Stakeholder and Community Awareness and Support
7. Strengthen Financial Performance

It is important to understand the value of the Harbor Department real property assets and the effect of those assets on the Harbor Department's financial performance and other obligations. In doing so, Management can recommend and implement better business decisions. These decisions can have either short-term or long-term impacts on Harbor Department priorities for land use, development, and disposition and should be consistent with other policies approved by the Board, the California Coastal Act, the California State Lands Commission, the Los Angeles City Charter, the Los Angeles City Administrative Code, the State Tidelands Trust Grant, other City policies, and Federal, State and local mandates and regulatory requirements, as applicable.

The Harbor Department's real property assets will be managed in an efficient and effective manner to ensure that the portfolio meets current and future needs by the most economical means practicable. The Harbor Department will also manage the portfolio to seek balance in investment and promotion of projects between its core and unique function to provide for marine cargo and other water-dependent industrial uses and to "allow broad public access to the Tidelands and, therefore, enhance the public's enjoyment of these lands historically set apart for their benefit¹."

The Asset Management Policy (Transmittal 1) documents the scope and approach staff recommends for the Harbor Department to undertake. The document has been circulated and shared with Division Heads and Senior Executive Staff to solicit input and feedback, and was submitted to the Audit Committee on April 18, 2013. By shifting the thinking to that of a portfolio management approach, the Harbor Department will build upon the trend of managing to the highest and best use of the various assets in the portfolio and maintain the economic diversity of the Harbor Department's holdings.

¹ Provision of the California State Lands Commission, The Public Trust Doctrine, Id. at p. 414; *Martin v. Smith* (1960) 184 Cal. App.2d 571, 577-78.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Asset Management Policy, which outlines a program to more effectively and efficiently manage Harbor Department assets. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment effect in the five-county region.

FINANCIAL IMPACT:

Adoption of this Asset Management Policy will provide additional guidelines for managing the real property and related assets of the Harbor Department and does not have a direct fiscal impact on the current year's budget. Nonetheless, by posting its Asset Management Policy to its website, the Harbor Department will appear more transparent to its stakeholders.

CITY ATTORNEY:

The Office of the City Attorney reviewed and provided comments on the subject policy document.

TRANSMITTAL:

- 1. Asset Management Policy




JACK C. HEDGE
Director of Real Estate

FIS Approval:  (initials)
 CA Approval:  (initials)



KATHRYN McDERMOTT
Deputy Executive Director

APPROVED: 
 GERALDINE KNATZ, Ph.D.
Executive Director