



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: MARCH 2, 2011

FROM: REAL ESTATE DIVISION

SUBJECT: RESOLUTION NO. _____ - PROPOSED PERMIT NO. 893 WITH THE
PACIFIC MARITIME ASSOCIATION

SUMMARY:

The Pacific Maritime Association (PMA) and International Longshore Warehouse Union Local 13 (ILWU) are proposing to develop a new dispatch hall on approximately nine acres of Los Angeles Harbor Department (Harbor Department) property located at Alameda Street and Anaheim Street in Wilmington, as depicted in Transmittal No. 1, (Premises) to replace its current one-acre site.

Proposed Permit No. 893 (Permit) would authorize the PMA to: 1) occupy the Premises for a 32-year term at a rate of \$1 per year; 2) construct, at its sole cost, a dispatch hall building of approximately 32,565 square feet, as well as ancillary improvements; and 3) enter into a sublease with the Los Angeles-Long Beach Longshore Joint Port Labor Relations Committee (JPLRC), which is comprised of the PMA and ILWU, concerning operation of the dispatch hall (Sublease).

Further, in exchange for the nominal fee Permit, at the Harbor Department's election, the PMA would be required to either: 1) grant to the Harbor Department, at no cost, the PMA's fee interest in a 1.09-acre site owned by PMA, located on Eubank Avenue in Wilmington, and valued at an estimated \$1.04 million; or 2) provide the Harbor Department with access to the PMA's existing dispatch hall located on Broad Avenue in Wilmington to conduct port-related meetings and events at times and dates to be agreed upon by the parties.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve Permit No. 893 and the Sublease;
2. Direct the Board Secretary to transmit the Permit to the City Council for approval pursuant to Charter Section 607;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 893; and
4. Adopt Resolution No. _____.

SUBJECT: PROPOSED PERMIT WITH THE PACIFIC MARITIME ASSOCIATION

DISCUSSION:

Background – The ILWU supplies longshore labor to cargo terminals within the San Pedro Bay, under maritime labor agreements with terminal operators administered by the PMA. The services provided by both parties, which comprise the JPLRC, are fundamental to ongoing port operations.

Currently, the longshore workforce is dispatched from a hall owned by the PMA and operated by the JPLRC that is located on Broad Avenue in Wilmington (Broad Avenue Hall), as shown on Transmittal No. 2. The Broad Avenue Hall is on a 1.25-acre site adjacent to a residential area and includes a 9,188 square foot building. It was built in the 1940s and was designed to accommodate a workforce of 900 people. Due to the growing demand for longshore labor, the current daily dispatch of up to 2,000 workers will increase to approximately 3,000. Due to its location away from major highways, space limitations, and on-site parking restraints, the Broad Avenue Hall facility is inefficient. With anticipated cargo and labor growth, the Broad Avenue Hall will no longer meet the PMA and ILWU's needs. These constraints must be resolved in order to ensure the efficient dispatching of labor going forward to support future cargo growth and customer needs at terminals and facilities at the Port of Los Angeles.

To address these issues, the PMA is proposing to develop a new dispatch hall on the proposed Premises that would replace the Broad Avenue Hall. The new hall would be operated by the JPLRC under the Sublease. The location of the Premises is ideal, as it is centralized and in proximity to port terminals, adjacent to major port access routes, located in an industrial area, and has adequate on-site parking.

Over the past several years, a significant amount of due diligence has been completed for the construction of the dispatch hall at the Premises. This includes finalization of designs and procurement of building permits by the PMA. Further, as part of this due diligence, it was contemplated that the Harbor Department and Port of Long Beach (POLB) would share in the cost of the project and jointly lease the site to the PMA and ILWU. However, due to restrictions under the California State Tideland Trust, which prohibit the transfer of tidelands property, the Premises could not be sold to the POLB to effect the joint lease of the site. The POLB is not currently financially participating in the project.

A summary of significant Permit terms is provided below:

Term – The proposed term is 32 years. It would be comprised of a construction phase totaling approximately two years, and an operations phase not to exceed 30 years.

Premises – The final Premises total 8.77 acres. The PMA would temporarily occupy an additional 1.01 acre during the construction phase to beautify the perimeter of the Premises.

Permitted Uses – The Permit would allow the PMA to use the Premises for construction and operation of a dispatch hall facility for general office, administrative functions, and union hall meetings.

SUBJECT: PROPOSED PERMIT WITH THE PACIFIC MARITIME ASSOCIATION

Compensation – Rent for the Premises would be \$1 per year and is subject to annual increases pursuant to the Consumer Price Index (CPI).

As further consideration, at the Harbor Department's election, the PMA would be required to either:

- 1) grant to the Harbor Department, at no cost, the PMA's fee interest in a PMA-owned parcel located on Eubank Avenue in Wilmington as shown on Transmittal No. 2 (Eubank Avenue Parcel); or
- 2) provide the Harbor Department with access to the Broad Avenue Hall to conduct port-related meetings and events at times and dates to be agreed upon by the parties.

Under the Permit, the Harbor Department is required to advise of its election within 180 days of the effective date.

Possible Transfer of Eubank Avenue Parcel – The Eubank Avenue Parcel, which is owned by the PMA and is currently used as secondary hall for overflow work from the Broad Avenue Hall, is a 1.09-acre paved site with a small structure totaling approximately 660 square feet. It is conservatively valued at approximately \$1.04 million based on a recent appraisal of \$22 per square foot for vacant Wilmington land.

If the Harbor Department elects to accept transfer of the Eubank Avenue Parcel, the transfer would not occur until 15 months after the completion of the new dispatch hall to provide the PMA sufficient time to relocate existing operations from its Eubank Avenue Parcel and vacate the site.

Conveyance of the Eubank Avenue Parcel from the PMA to the Harbor Department would be subject to the parties' execution of a transfer agreement which stipulates that the Harbor Department would accept the parcel as-is and be required to obtain a title insurance policy. Such policy is estimated to cost \$2,000.

Mineral Rights Agreement – The Premises are currently subject to mineral rights and reservations owned by the City of Long Beach which conflict with the new dispatch hall development. Specifically, the City of Long Beach currently has surface rights to portions of the Premises for future drilling needs.

The Harbor Department is currently attempting to negotiate an agreement with the City of Long Beach to relocate such surface rights. However, at this time, an agreement has not been finalized. In the event that the Harbor Department is unable to execute an agreement with the City of Long Beach by July 1, 2011, the PMA may terminate the Permit and Sublease upon prior written notice to the Harbor Department with no further action of the Board of Harbor Commissioners (Board) or City Council.

Improvements to be Constructed by Tenant – The PMA is proposing to construct, at its sole cost, a 32,565 square foot, two-story dispatch hall in conformance with Leadership

SUBJECT: PROPOSED PERMIT WITH THE PACIFIC MARITIME ASSOCIATION

in Energy and Environmental Design gold standards, as well as ancillary site improvements, such as parking facilities to accommodate 812 vehicles. Additionally, the PMA would beautify the right-of-way area owned by the Harbor Department located along the perimeter of the Premises.

In addition to site improvements, the PMA would be responsible for site preparation prior to the commencement of construction, including remediation and/or removal of encountered contaminated soil, testing and re-abandonment of existing oil wells, and relocation of an electrical substation. All construction activities would adhere to municipal code requirements relating to noise and construction work hours, state code relating to archaeological and paleontological resources, as well as the Harbor Department's sustainable construction guidelines and site remediation requirements.

Total project costs are estimated to be \$15 million. In addition to construction costs, all operation and maintenance costs will be borne by the PMA.

The Permit contains deadlines concerning the commencement and completion of construction. The PMA is required to commence construction within one year of the Harbor Department delivering the mineral rights agreement described above and complete construction within three years of that start date. Failure to meet these deadlines would result in automatic termination of the Permit, and the PMA would be required to vacate and restore the site.

Upon the expiration or earlier termination of the Permit, the Harbor Department would have the option to accept the improvements free of charge in lieu of restoration or require demolition and restoration of the site.

Restoration Bond – The PMA would be required to post a restoration bond in the amount of \$1 million, which could be used by the Harbor Department in the event the PMA fails to meet its restoration obligations at the expiration or earlier termination of the Permit.

Sublease to JPLRC – PMA proposes to enter into the Sublease with the JPLRC. The JPLRC is a labor relations committee established by ILWU Local 13 and PMA, pursuant to the collective bargaining agreement between the ILWU, on behalf of its longshore locals, and the PMA, on behalf of its members, which include terminal operators at the Port of Los Angeles. There are approximately 32 JPRLCs along the west coast that operate ILWU Dispatch Halls.

The sublease is generally consistent with the Permit, with the exception of the rent provision, which was negotiated between PMA and ILWU to apportion costs for the new hall. Specifically, the PMA would fund the construction of the hall, and the JPLRC would be required to pay monthly rent to the PMA in the amount of \$13,677, subject to annual increases based on the CPI. ILWU's portion of the JPRLC's monthly rent totals approximately \$2050 and would be used to offset a small portion of the PMA's construction costs. Since PMA is also the sub-landlord of this transaction, its portion of the JPRLC's rent payment is only needed for accounting purposes.

SUBJECT: PROPOSED PERMIT WITH THE PACIFIC MARITIME ASSOCIATION

ENVIRONMENTAL ASSESSMENT:

The proposed activity can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. 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 1 of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment effect. Construction of the proposed dispatch hall is estimated to support up to 117 direct and 100 secondary, one-year-equivalent jobs in the five county region.

FINANCIAL IMPACT:


The proposed use would likely create efficiencies in labor dispatch, but it is not measurable as to potential monetary benefit for the Harbor Department. Therefore, there is no meaningful return realized by this Permit. However, in consideration for the use of property, the PMA has agreed to provide the Harbor Department an option to own the parcel located on Eubank Avenue valued at approximately \$1 million.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Permit and Sublease as to form and legality.

TRANSMITTALS:

- 1. Aerial Map of New Hall and Existing Halls
- 2. Premises Map
- 3. Permit and Sublease

FIS Approval:  (initials)


 KATHRYN McDERMOTT
 Deputy Executive Director

APPROVED: 
 GERALDINE KNATZ, Ph.D.
 Executive Director