



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 20, 2014

FROM: PLANNING & ECONOMIC DEVELOPMENT

**SUBJECT: RESOLUTION NO. _____ FOR APPROVAL OF THE
FIRST AMENDMENT TO THE EXCLUSIVE NEGOTIATING
AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR
DEPARTMENT AND LA WATERFRONT ALLIANCE FOR THE
COMMERCIAL REDEVELOPMENT OF PORTS O' CALL**

SUMMARY:

It is recommended that the Board of Harbor Commissioners (Board) approve the First Amendment to the Exclusive Negotiating Agreement (ENA) between the City of Los Angeles Harbor Department (Port) and LA Waterfront Alliance (Developer), a collaboration between The Ratkovich Company and Jerico Development. The proposed First Amendment will extend the current term of the ENA an additional 60 days. During the 60-day extension the Port and the Developer will work to produce a feasible infrastructure phasing schedule that will allow the Developer to provide the Port a comprehensive term sheet counterproposal. The existing ENA was for a term of 240 days. A 120-day extension option was approved by the Executive Director for a cumulative total of 360 days and is set to expire March 9, 2014. A 60-day extension would allow the Port and Developer to continue the required due diligence and negotiation efforts as outlined in the ENA as amended. Approval of the First Amendment would extend the ENA period through May 8, 2014.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the First Amendment to the Exclusive Negotiating Agreement between the City of Los Angeles Harbor Department and LA Waterfront Alliance;
2. Authorize the Executive Director to execute and the Board Secretary to attest to said First Amendment, for and on behalf of the Board; and
3. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – The San Pedro Waterfront Project Environmental Impact Statement/Environmental Impact Report (EIS/EIR), approved by the Board on September 29, 2009, included the redevelopment of the Ports O' Call site. The Ports O' Call site is entitled to support up to 300,000 square feet (SF) of visitor-serving commercial uses and up to 75,000 SF for a conference center. The existing parcel was developed as Ports O' Call Village in the 1960s and was a popular regional destination for several decades. The site currently features approximately 150,000 SF of restaurant and retail buildings with existing tenant leases set to expire December 31, 2014. The San Pedro Waterfront Project envisioned a comprehensive redevelopment of the Ports O' Call site, which would contribute to the transformation of the San Pedro waterfront and adjacent downtown San Pedro into a vibrant, world-class urban visitor-serving waterfront destination (Transmittal 1).

Following the release of a Request for Qualifications (RFQ) in July 2012, eight responses were received from interested developers and the LA Waterfront Alliance was selected. The LA Waterfront Alliance partnership of The Ratkovich Company and Jerico Development has extensive experience in developing visitor-serving retail projects. The Ratkovich Company is a Los Angeles based development company with 40 years' experience in commercial property development, construction, renovation, and operations. Jerico Development is a San Pedro-based development firm that specializes in rehabilitating commercial buildings.

On February 21, 2013, the Board approved the ENA with the Developer allowing both parties to perform due diligence relating to the redevelopment of the Ports O' Call site and negotiate a term sheet. The ENA was for a term of 240 days and was to expire on November 9, 2013. On October 23, 2013, the ENA option was executed extending the exclusivity period an additional 120 days. This option period expires March 9, 2014. Under the terms of the ENA, the Executive Director had the authority to execute the option.

On February 13, 2014, the Developer requested a 60-day extension to the ENA to allow for additional time to resolve issues relating to infrastructure commitments and lease terms. Should the Board approve the 60-day extension, the ENA would be effective through May 8, 2014.

Due Diligence Progress – During the term of the ENA (Transmittal 2), the Port and Developer have carried out tasks and prepared deliverables specified in the ENA. A summary of those tasks and deliverables and current status is provided as Transmittal 3. The Developer has performed due diligence for the site, including a review of site conditions, structural adequacy, existing leaseholds, and financial information related to current operations. The Developer completed two public outreach meetings on April 2,

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2013 and November 19, 2013, and has prepared a phased development concept for the site. The Developer has also employed CBRE, a real estate services company, to solicit targeted retailers that would be complementary to a proposed anchor tenant.

Concurrently, consistent with the terms of the ENA, the Port has completed the Phase I site characterization of Ports O' Call, reviewed Developer pro forma documentation, hired a consultant to prepare a waterfront parking study, initiated detailed infrastructure cost estimates, and supported the Developer's due diligence efforts. The Port and Developer have begun negotiations on a proposed term sheet.

Proposed First Amendment to ENA – The proposed First Amendment to the ENA will provide a 60-day extension to allow the Port and the Developer to advance the due diligence and term sheet negotiation process (Transmittal 4). The Port and Developer require additional time to analyze the project phasing and work towards creative infrastructure phasing alternatives that are feasible for the Developer and the Port. If the parties are able to develop a feasible infrastructure phasing schedule, the Developer will provide the Port a written counter proposal to the January 30, 2014 term sheet by the end of the extended term. This proposed extension will allow both parties to determine whether the proposed project is feasible considering Developer and Port financial considerations. Any additional extensions or additional terms that may be required to further the process beyond the proposed May 8, 2014 expiration date will require Board approval.

ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to approval of a 60-day extension to the ENA with the LA Waterfront Alliance for continued negotiations on the redevelopment of Ports O' Call. Any environmental assessment required for the final development concept would be conducted separately. Therefore, 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 employment impact

FINANCIAL IMPACT:

The proposed ENA extension provides both parties the ability to continue the required efforts as outlined in the ENA. The ENA does not commit either party to proceed with a proposed development of the Ports O' Call site as any terms or agreements for the site must be brought before the Board and/or council for approval. During the term of the

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ENA, the Harbor Department and Developer are responsible for their own costs incurred related to the performance of their due diligence activities, with the exception of any CEQA/NEPA compliance costs, which will be shared between the two parties at the rate of 25 percent for the Harbor Department and 75 percent for the Developer. Harbor Department costs related to due diligence include staff time and a 25 percent share of any CEQA/NEPA assessment work, which at this time is unknown pending the finalization of the development concept. Additional financial details of the proposed Ports O' Call development are pending further development of the concept and will be brought to the Board in a separate future action.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed First Amendment as to form and legality.

TRANSMITTALS:


1. Site Map
2. Exclusive Negotiating Agreement
3. Summary of Tasks and Deliverables
4. Exclusive Negotiating Agreement Amendment

FIS Approval: WB (initials)
CA Approval: gmc (initials)


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APPROVED:


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