



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JUNE 19, 2013**

**FROM: PLANNING & ECONOMIC DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ – PROPOSED THIRD AMENDMENT TO AGREEMENT NO. E6530 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE MAXIMA GROUP, LLC**

**SUMMARY:**

The Maxima Group, LLC (Maxima), a Los Angeles based firm provides the City of Los Angeles Harbor Department (Harbor Department) with financial, real estate, and economic consulting services relating to commercial development sites at the Port of Los Angeles (Port). The agreement was originally approved as a one-year Executive Director Agreement on October 28, 2009, in the amount of \$150,000. The Board of Harbor Commissioners (Board) has approved two amendments to the agreement extending the term of the agreement to October 27, 2013, and increasing the funding amount to \$488,450. With the Board's selection of the LA Waterfront Alliance as the developer for Ports O' Call, staff is requesting a Third Amendment to the Maxima agreement. The Third Amendment would extend the existing agreement an additional 24 months and increase the funding in the amount of \$100,000. This would allow Maxima to continue to provide support to staff in negotiating the lease for the Ports O' Call development site. Maxima will perform financial due diligence, review business and capital plans, and assist in drafting and reviewing entitlement agreements for the Ports O' Call development site. The total agreement amount would be \$588,450 and would expire October 27, 2015.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Approve the Third Amendment to Agreement No. E6530 to increase the agreement amount by \$100,000 and extend the agreement an additional 24 months;
2. Authorize the Executive Director and the Board Secretary to execute and attest to the Third Amendment for and on behalf of the Board; and
3. Adopt Resolution No. \_\_\_\_\_.

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**DISCUSSION:**

Background/Context – On October 28, 2009, the Harbor Department entered into an Executive Director Agreement with Maxima (Transmittal 1) to assist with the process of selecting developers for commercial development sites along the San Pedro and Wilmington waterfront project areas, including Ports O' Call Village. The services provided include assisting staff in preparing effective competitive solicitations for commercial development opportunity sites, including an evaluation process for comparing commercial development proposals, conducting due diligence of development proposals and conducting developer outreach for commercial development sites along the waterfront. The agreement had a one-year term with compensation not to exceed \$150,000. The First Amendment was approved by the Board on October 7, 2010, which extended the contract for an additional 18 months through April 28, 2012, and increased the funding amount by \$243,450 to a not-to-exceed total of \$393,450 (Transmittal 2). This amendment enabled a continuation of services to support waterfront commercial development strategies, including the adaptive reuse of Warehouse Nos. 9 and 10. The First Amendment also amended the scope of work to include assistance in developing criteria for evaluating a potential term extension for the Doubletree hotel ground lease.

On March 15, 2012, the Board approved the Second Amendment to Agreement No. E6530, extending the contract for an additional 18 months through October 27, 2013, and increasing the funding amount to \$488,450 (Transmittal 3). With the approval of the Second Amendment, Maxima assisted the Harbor Department in marketing the Ports O' Call development site to the commercial development community, preparing the competitive solicitation for Ports O' Call, reviewing responses to the Ports O' Call Request For Qualifications (RFQ) and performing due diligence on the responding developer teams. The release of the Ports O' Call RFQ was rescheduled for July 2012 in response to the improving commercial development market and thereby enhance the likelihood of responses received.

Ports O' Call – On February 21, 2013, the Board approved staff's recommendation to enter into an Exclusive Negotiating Agreement (ENA) with the LA Waterfront Alliance for the Ports O' Call redevelopment project. The ENA provides the framework for negotiations between the Harbor Department and developer with the goal of ultimately securing a ground lease. The ENA term is 240 days with the option to extend an additional 120 days. The ENA term requires both parties to perform due diligence activities, including financial and market analysis, business plan and lease-up strategies, CEQA determination, and public outreach.

The extension of this agreement would allow Maxima to provide critical support services to staff in negotiations for a lease for the Ports O' Call site. The specific tasks proposed

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under the proposed Third Amendment (Transmittal 4) include assisting staff in the following:

- Provide term sheet and ground lease negotiations support
- Market research in support of the proposed lease agreement
- Perform financial due diligence on developer and proposed lease terms
- Review developer's capital structuring alternatives for feasibility assessment
- Review developer capital and business plans

In approving the ENA with the LA Waterfront Alliance, the Board directed staff to ensure that the Harbor Department's negotiation team for Ports O' Call was supported with the appropriate and necessary resources to ensure a financially viable lease is successfully negotiated. Maxima has extensive experience advising developers and public agencies seeking to maximize the strategic and economic value of their real estate assets. Their experience includes negotiating numerous ground lease and complex lease transactions; providing entitlement support for large-scale mixed-use developments; providing master plan and project design support; negotiating development agreements; and providing project due diligence and market analysis support, including substantial experience with waterfront projects.

The Maxima team consists of Rob York, Jim Suhr and Pat Flynn. Rob York is a recognized national expert on retail and mixed use development with over 23 years of experience in real estate projects across North America. He is the strategic advisor to the Downtown Santa Monica/Third Street Promenade, serving for the past 22 years of the project's evolution into one of the most successful retail destinations in the country. Mr. York has substantial experience with waterfront projects, including the Santa Monica Pier, several mixed use resorts in the Caribbean, and a complex ground lease transaction along Old Sacramento's riverfront.

Jim Suhr has 29 years of experience in the Southern California commercial real estate market. Mr. Suhr has a development background focused on urban infill projects which includes experience negotiating complex acquisitions, entitlements, and numerous public-private development ventures. Mr. Suhr has served as Director of Land Acquisitions for BRE Properties and as Vice President Office Development for Newhall Land & Farming as well as holding corporate real estate positions with the Walt Disney Company and Warner Bros. Mr. Suhr has also served as Development Manager for The Ratkovich Company which will add insight to the negotiation process.

Pat Flynn has more than 25 years of experience advising developers and public agencies seeking to maximize the strategic and economic value of their real estate

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assets. Ms. Flynn has been a long-time advisor to many ground lessees throughout Southern California, and has successfully negotiated ground lease terms that have been financed by traditional lenders, equity investors, government-sponsored entities, and publicly-traded Real Estate Investment Trusts (REITs). Ms. Flynn has provided financial advisory services and transaction negotiation support for over a dozen waterfront ground lease transactions in Marina del Rey and Long Beach. Ms. Flynn has also performed real estate economic analysis for the Los Angeles County Metropolitan Transportation Authority (Metro) on a wide range of projects for more than ten years, including four major development projects near Metro transit facilities. Currently, Ms. Flynn is working for the developer of the Wilshire Grand to prepare the capital development budget, project proformas, and underwriting support for a \$1 billion mixed use project in downtown Los Angeles.

Maxima's earlier services rendered through this agreement resulted in a long-term ground lease with CRAFTED at the Port of Los Angeles for a crafts marketplace in Warehouse Nos. 9 and 10. Maxima was originally selected from 16 responses to a competitive solicitation for commercial real estate consulting services. Collectively, the Maxima team has over 75 years of experience in commercial real estate development. Maxima's broad and extensive experience in negotiating commercial retail ground leases for both public sector entities and developers, combined with the experience of Patty Tubert of Tubert Consulting will provide Port staff with a knowledge base that will enhance the likelihood that a financially viable ground lease for the Ports O' Call site will be successfully negotiated.

The proposed Third Amendment to Agreement No. E6530 with Maxima would extend the term an additional 24 months beginning October 28, 2013, with a new expiration date of October 27, 2015, and would increase the maximum amount payable by \$100,000, from \$488,450 to \$588,450. Although the proposed Third Amendment would extend the total term of Agreement No. E6530 to six years, City Council approval is not required in accordance with Section 10.5 (b) 2 of the Los Angeles Administrative Code as the annual estimated payment under the agreement will not exceed \$137,319.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Third Amendment to an agreement with Maxima to increase the amount and extend the term of the agreement to allow for support services in the negotiations of a lease for the Ports O' Call site. 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.

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**ECONOMIC BENEFITS:**

Approval of the proposed Third Amendment will have a minimal employment impact (supporting less than one additional full-time job) in the five-county region.

**FINANCIAL IMPACT:**

Approval of the proposed Third Amendment will extend the term by an additional 24 months and will add \$100,000 to the current agreement amount of \$488,450, bringing the total agreement amount to \$588,450. If the Board approves the recommended actions, funds in the amount of \$100,000 from the proposed FY 13/14 budget will be provided from Planning and Economic Development Division budget, Account Number 54290, Center Number 0428, and Program Number 000. Funds for future fiscal years will be requested to be budgeted as part of the annual budget adoption process, upon Board approval. A Termination for Non-Appropriation of Funds (otherwise known as a funding out clause) is included in the Third Amendment.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Agreement No. E6530
2. First Amendment to Agreement No. E6530
3. Second Amendment to Agreement No. E6530
4. Third Amendment to Agreement No. E6530

  
DAVID L. MATHEWSON  
Director of Planning & Economic Development

FIS Approval: KB (initials)

CA Approval: guc (initials)

  
KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:

  
GERALDINE KNATZ, Ph.D.  
Executive Director

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