



Executive Director's
Report to the

Board of Harbor Commissioners

DATE: JANUARY 4, 2016

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - PROPOSED REVOCABLE PERMIT 15-19 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND SPACE EXPLORATION TECHNOLOGIES CORP. DBA SPACEX

SUMMARY:

The proposed action will grant a Revocable Permit (RP) to Space Exploration Technologies Corp. (SpaceX) for use of City of Los Angeles Harbor Department (Harbor Department) property with modified terms for the insurance and the addition of a non-disclosure provision.

The premises consist of 35,000 square feet (s.f.) of land and 77,000 s.f. of water located at Berths 51/52 along Miner Street in San Pedro. The proposed RP will succeed SpaceX's current entitlement, Temporary Entry and Use Permit No. 1529 (TEUP 1529) which grants the right to berth the Marmac landing barge and auxiliary vessels; construct landside improvements including the installation of rocket support pedestals on a concrete pad; installation of temporary perimeter fencing, office trailer, guard shack and portable restrooms. The proposed RP will expand the use to include the rocket recovery operations which will include offloading and removal of unexpended fuel and hazardous materials prior to transport.

The RP is being presented to the Board of Harbor Commissioners (Board) due to changes in the standard provisions. Approval of the proposed revocable permit will allow SpaceX to self-insure for commercial general, host liquor, automobile, and fire legal liability, as well as the replacement value of any improvements owned or constructed by SpaceX. SpaceX may seek the right to self-insure workers compensation insurance as allowed through the Director of Industrial Relations, State of California. SpaceX will procure and maintain insurance coverage through an insurance carrier for ocean marine and pollution liability.

Approval of the proposed revocable permit will also allow SpaceX to use substitute premises should there be a need to relocate SpaceX to accommodate vessels for Berths 53 to 55.

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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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 3(7) of the Los Angeles City CEQA Guidelines
2. Approve the proposed Revocable Permit NO. 15-19 with Space Exploration Technologies Corp;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Revocable Permit; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context: SpaceX is a private company founded in 2002 that designs, manufactures, and launches advanced rockets and spacecraft. AltaSea at the Port of Los Angeles (AltaSea), as part of its goal to secure collaborators for its urban marine research and innovation center, brought in SpaceX to be part of its endeavor in early 2015.

On June 25, 2015, SpaceX submitted its application for conducting operations at the AltaSea facility. Its operations included modifications to the Marmac, the landing and recovery barge for the Dragon capsule and Falcon rocket. The Marmac also came with additional support vessels and waterside equipment. The operations were subsequently deemed to not be suitable at the AltaSea facility and an alternate site across from AltaSea, Berths 51/52, was selected. Due to the imminent need to occupy Port of Los Angeles (Port) property for a scheduled recovery operation, a Temporary Entry and Use Permit (TEUP) was initially granted for the time period of June 29, 2015 to September 5, 2015. The scheduled recovery did not materialize but preparations for a rocket recovery continued even though no firm schedule was established. An extension to the TEUP was granted to enable SpaceX to remain at its location until February 29, 2016.

In November, preparations for recovery operations began, necessitating the more stringent requirements that are in the revocable permit template. Due to changes in some of the revocable permit template provisions, Board action is required to allow the modifications. SpaceX would like to have the ability to self-insure. A letter of good standing from SpaceX's bank and a letter from their Chief Financial Officer attesting to their good standing will ensure that SpaceX has the ability to meet the self-insurance requirements.

Additionally, as a condition of SpaceX's occupancy at Berths 51/52, SpaceX vessels are required to move to accommodate the occasional berthing of cruise ships and fruit

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vessels calling at Berths 53 to 55 due to the narrow width of the East Channel. At all times, SpaceX has fully cooperated to ensure timely removal of their vessels, thereby ensuring seamless moves during the recent multiple cruise ship berthing, as well as the arrival of the first fruit vessel of the season. The proposed RP will give SpaceX substitute premises for such occasions, and pro-rated rent credit if substitute premises are unavailable.

Although there is language in the proposed revocable permit regarding notification for press release or public notice, a Memorandum of Understanding or some similar document will be considered in the near future to address both Harbor Department's and SpaceX's concerns regarding disclosure of information.

Summary of Significant Permit Terms

Effective Date: The month-to-month RP (Transmittal 1) will be effective upon execution by the Executive Director and revocable upon 30 days' written notice.

Premises: The permit premises are located at Berths 51/52 (Transmittal 2). SpaceX will have access to substitute premises when the need to accommodate other vessels at the East Channel requires the relocation of SpaceX vessels.

Insurance: The proposed RP will allow SpaceX to self-insure for commercial general, host liquor, automobile, and fire legal liability, as well as the replacement value of any improvements owned or constructed by SpaceX. SpaceX may seek the right to self-insure workers compensation insurance as allowed through the Director of Industrial Relations, State of California. SpaceX will procure and maintain insurance coverage through an insurance carrier for ocean marine and pollution liability.

Compensation: \$11,122.22 per month, with daily pro-rata based rent credit for occasions when substitute premises are unavailable.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Revocable Permit with SpaceX for premises at Berths 51/52 to allow for rocket recovery operations and associated improvements, which is an activity involving issuance of a permit to use land involving minor alterations to the condition of the land. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 3(7) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Initial monthly revenue to Port of \$11,122.22 increased annually by the Los Angeles-Riverside-Orange County CPI will provide the required rate of return on land valued at \$22 per s.f. and submerged land valued at \$7.33 per s.f. Since the existing wharf included in the premises is to be used for parking and storage purposes, the wharf is recognized as additional surface area and its current market value was not included in

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determining monthly rent. Except for the wharf, the Tenant is responsible for all maintenance and repairs occurring on the premises.

SpaceX requests approval to self-insure coverage of less than \$1,000,000 for fire legal liability of Tenant for damage or destruction to Port property and for 90% of Tenant owned improvements and Tenant owned property (excluding water craft) on the premises. Justification for SpaceX to self-insure is based upon financial responsibility criteria established by the California State Water Resources Control Board. The criterion that SpaceX will supply is certification by its CFO that SpaceX has a tangible net worth of at least ten times the amount of the requested self-insurance coverage. SpaceX has also provided a document from US Bank that SpaceX is a five year customer in good standing with a senior secured credit facility in the mid nine figures.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Revocable Permit
- 2. Site Map

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


 FOR

MICHAEL J. GALVIN
 Director of Waterfront & Commercial Real Estate



MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:


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