



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 12, 2016

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

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

SUMMARY:

The Los Angeles Harbor Department (Harbor Department) staff requests that the Board of Harbor Commissioners (Board) approve an amendment to Revocable Permit No. 15-19 (RP 15-19) with Space Exploration Technologies Corp. (SpaceX) to increase insurance limit requirements. Under RP 15-19, SpaceX conducts rocket recovery operations that include offloading and removal of unexpended fuel and hazardous materials prior to transport. The proposed changes to the insurance provisions offer superior protection to the Harbor Department in the event of a loss.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the First Amendment to Revocable Permit 15-19 with Space Exploration Technologies Corp.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Revocable Permit 15-19;
4. Adopt Resolution No. _____.

**SUBJECT: PROPOSED FIRST AMENDMENT TO REVOCABLE PERMIT 15-19
WITH SPACE EXPLORATION TECHNOLOGIES CORP. DBA SPACEX****DISCUSSION:**

Background/Context: On January 7, 2016, the Board approved RP 15-19 to SpaceX for the use of 35,000 square feet of land and 77,000 square feet of water at Berths 51 and 52 along Miner Street in San Pedro (Transmittal 1). The revocable permit allowed for: berthing rights for the Marmac landing barge and auxiliary vessels; construction of landside improvements including the installation of rocket support pedestals on a concrete pad; and installation of temporary perimeter fencing, an office trailer, a guard shack and portable restrooms. SpaceX's premises are utilized to berth vessels that recover expended rockets and capsules from over 100 miles offshore and return the respective equipment for land based transportation to various locations. The permit required standard insurance coverage of \$1 million for general liability, auto liability, fire legal liability, watercraft liability, and environmental impairment liability. It also required that insurance coverage limits for 90 percent of the replacement value of the works, buildings, and improvements erected/owned by SpaceX on the premises for all losses over \$250,000.

During the January 7, 2016 meeting, the Board expressed concern regarding the insurance limits and coverage under self-insurance. The Financial Management Division reviewed SpaceX's financials and verified that SpaceX had the financial capacity to cover the self-insured amounts required. SpaceX also provided additional insurance including an excess policy with limits of \$20 million.

Proposed Amendment Summary: Staff requests Board approval of an amendment to RP15-19 to increase insurance requirements to cover SpaceX's rocket recovery operations, which will include offloading and removal of unexpended fuel and hazardous materials prior to transport. New insurance limits include:

- \$20 million (from \$1 million) for commercial general liability insurance and if necessary, commercial umbrella insurance, including contractual liability, and property damage insurance
- \$5 million (from \$1 million) for automobile and, if necessary, commercial umbrella insurance
- \$1 million (from \$250,000) for fire legal liability insurance, and
- 100 percent (from 90 percent) of the replacement value of SpaceX improvements for fire and extended coverage insurance.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Amendment to PR 15-19 with SpaceX to increase their insurance liability requirements, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

The First Amendment to RP 15-19 does not have financial impacts to the Harbor Department at this time. Should a covered loss occur, the First Amendment will allow the Harbor Department to receive superior insurance coverage, thereby reducing the Harbor Department's financial risk exposure arising from SpaceX's operations.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Site Map
- 2. First Amendment

Ed Robles
FOR

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FIS Approval: *MB* (initials)
CA Approval: *MB* (initials)

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