



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MARCH 13, 2024**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE THE SECOND AMENDMENT TO AGREEMENT NO. E7119 WITH CAL PACIFIC LAND SERVICES, INC. FOR AN ADDITIONAL ONE-YEAR PERIOD AND ADDITIONAL FUNDING**

**SUMMARY:**

Staff requests approval of the Second Amendment to Agreement E7119 (Agreement) with Cal Pacific Land Services, Inc. (Cal Pacific) for property management services related to certain railroad properties. The proposed Second Amendment (Amendment) would extend the Agreement by one year and increase the not-to-exceed amount by \$40,000 from \$100,000 currently to \$140,000 as proposed over the four-year term. The one-year extension is needed at this time to allow for the continuation of railroad property management services while the City of Los Angeles Harbor Department (Harbor Department) conducts a competitive selection process for a successor company to perform these same services. The Harbor Department will continue to be financially responsible for the payment of expenses incurred under the Agreement.

**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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Second Amendment to Agreement No. E7119 between the City of Los Angeles Harbor Department and Cal Pacific Land Services, Inc.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Second Amendment to Agreement No. E7119; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background – From 1992 to 1995, the Port of Los Angeles (POLA) and Port of Long Beach (POLB) (collectively Ports) jointly purchased railroad properties between downtown Los Angeles and the San Pedro Bay, formerly owned by Southern Pacific Railroad, Union Pacific Railroad, Atchison, Topeka & Santa Fe Railway, and Burlington Northern Santa Fe

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Railway, for the development of the Alameda Corridor. The Ports originally acquired all railroad properties as tenants in common, whereby revenue and expenses derived from such properties were split equally between POLA and POLB as co-owners.

In 2020, an exchange agreement between the POLA and POLB finalized the transfer of railroad right-of-way property that was jointly acquired in 1994 for the Alameda Corridor Project. The exchange agreement gave the Ports each control over their rail property within their respective Harbor Districts. POLA assumed full ownership of a seven-mile stretch of railroad right-of-way that spans from Wilmington to San Pedro along Harry Bridges Blvd. and Harbor Blvd., which is inclusive of approximately 88 rail crossing lease agreements. See Transmittal 1 for a depiction of the POLA right-of-way acquired in the exchange. Because POLA assumed responsibility for this property and associated lease agreements, the Harbor Department retained Cal Pacific in 2021 through a competitive process to serve as an extension of staff to perform property management services.

Agreement E7119 commenced on April 1, 2021, for a term of two years and was extended an additional year through March 31, 2024, under the First Amendment to Agreement No. E7119 (First Amendment). Currently, the not-to-exceed amount under the Agreement is \$100,000.

Under the Agreement, Cal Pacific is required to, among other duties:

- Manage and negotiate contracts, renewals, and assignments/transfers;
- Assist with the preparation and processing of revocable property contracts, amendments, various exhibits, maps, title reports, and other related documentation;
- Consult on matters involving rental adjustments and advise on market conditions and rates;
- Process evictions;
- Perform property inspections on a regular and consistent basis;
- Assist with maintenance duties, including repairing/replacing signs and fencing, removing graffiti, and addressing homeless encampments in coordination with third-party agencies;
- Identify, market, and assist potential tenants in processing property contracts, assignments and transfers;
- Coordinate and acquire all necessary approvals from railroad companies, POLA's rail operator, California Public Utilities Commission, and other public agencies that have jurisdiction over the railroads and its uses;
- Ensure tenant compliance of all contract terms and conditions;
- Confirm that tenant insurance names POLA as an additionally insured entity and that limits of coverage are as prescribed by POLA's risk managers;
- Review and identify existing property contracts that need replacement or renewal to represent current ownership and adjust the rents to market value;
- Ensure that secondary uses of properties do not negatively impact rail operations;
- At the request of POLA, conduct title research and prior rights study for properties;
- Cause to be delivered to any permittees on behalf of POLA all disclosures that POLA is required to make by law; and

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- As may be needed from time to time or at the direction of POLA, oversee or inspect any new installation or construction project occurring on properties.

Pursuant to the terms of the Agreement, Cal Pacific charges set hourly rates for performing the above work, with total compensation allowed up to the not to exceed amount approved by the Harbor Department. For the period 2021 to 2024, POLA budgeted \$70,000; however, the actual expenditure is projected to be about \$80,000.

Cal Pacific collected \$110,653 in total rental revenue in 2023 on behalf of the Harbor Department. This represents an increase of 4.45 percent from the prior calendar year's revenues of \$105,937.

Proposed Second Amendment – The Harbor Department continues to require property management services for railroad properties beyond the Agreement's current expiration date of March 31, 2024. The proposed Second Amendment will extend the term of the Agreement by one additional year through March 31, 2025 and increase compensation under the Agreement by \$40,000 while staff conducts a competitive selection process for a successor property management firm.

Below are the material terms of the proposed Amendment:

Provision	Description
Term	One-year extension, from April 1, 2024, to March 31, 2025.
Termination	Subject to termination at the discretion of the Harbor Department upon 10 days' notice to the contractor
Compensation	Add \$40,000 to the budget for a total amount not to exceed \$140,000 for the aggregate 4-year term  Maximum amount payable by the Harbor Department for the one-year extension would be approximately \$65,000

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the Second Amendment to Agreement No. E7119 with Cal Pacific for property management services of railroad properties owned by the Harbor Department, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Second Amendment will extend the term of the Agreement by one year and increase total compensation by \$40,000 from \$100,000 currently to \$140,000 as proposed.

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Spending under the Agreement has occurred and is anticipated to occur as follows:

<u>Fiscal Year (FY)</u>	<u>\$ Amount</u>
Prior Years	\$61,220
2023-2024	\$18,780
2024-2025	\$60,000
<b>Total</b>	<b>\$140,000</b>

FY 2023-2024 funding in the amount of \$18,780 has been budgeted in Account 54290 (Miscellaneous Professional Services), Center 0424, Program 000. Through February 2024, \$8,780 has been spent over the first eight months of FY 2023-2024, and \$10,000 is available for use over the remaining four months of the current fiscal year. Funding for future years will be requested as part of the annual budget process upon Board approval.

The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board appropriation of funds. If funds are not appropriated by the Board for the work required by the Agreement, then the Agreement shall be terminated. However, such termination would not relieve the parties of liability for any obligations previously incurred.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

1. Right-of-Way Depiction
2. Second Amendment to Agreement No. E7119

*Marisa L. Katnich*  
MARISA L. KATNICH  
Director, Cargo & Industrial Real Estate

FIS Approval: *MB*  
CA Approval: *SO*

*Michael DiBernardo*  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

*Marla Bleavins* For  
EUGENE D. SEROKA  
Executive Director