



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 3, 2022

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

SUMMARY:

Staff requests approval of Revocable Permit No. 21-19 (RP 21-19) with Pacific Maritime Association (PMA) to allow PMA to use and occupy four acres of City of Los Angeles Harbor Department (Harbor Department) property located on Pier 400 on Terminal Island. PMA will use the site for purposes of reskilling and upskilling the longshore workforce. Annual rent would be \$671 for the first year, based upon minimum rent regulations set forth in California Code of Regulations (2 CCR Section 2003(e)). Annual rent will be subject to increases thereafter consistent with increases in the Consumer Price Index.

Pursuant to the California Code of Regulations, rent may be reduced when there is a significant regional or statewide public benefit accruing from such use. Ensuring the availability of a skilled and adaptable workforce is integral to supply chain fluidity and critical to successful port operations, providing significant benefits on both a regional and statewide level.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Consider the Addendum to the previously adopted Supplemental Final Environmental Impact Report (Final EIR) Pier 400 Container Terminal and Transportation Corridor Project (State Clearinghouse Number 98031135);
2. Find that, in accordance with the provisions of the California Environmental Quality Act (CEQA) Guidelines Section 15164, the proposed Revocable Permit will not result in any new significant environmental effects or substantially more severe effects than previously analyzed in the adopted Final EIR;
3. Authorize the Environmental Management Division to file a Notice of Determination with the Los Angeles County Clerk and the Los Angeles City Clerk;
4. Find that it is in the best interest of the City of Los Angeles Harbor Department to waive the Harbor Department's Leasing Policy, Section VIII concerning the rate of return as it facilitates fluidity within the global supply chain and is critical to successful port operations;
5. Find that this action provides an important public benefit;

SUBJECT: APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

6. Approve Revocable Permit No. 21-19 with Pacific Maritime Association;
7. Authorize the Executive Director to execute and the Board Secretary to attest to Revocable Permit No. 21-19; and
8. Adopt Resolution No. _____.

DISCUSSION:

General Background - In July 2019, PMA and the International Longshore Warehouse Union (ILWU) reached an agreement, with the assistance and leadership of Mayor Garcetti, on a Worker Training Program to enable and prepare longshore workers to keep pace with modernization in the container shipping industry through specialized, technical training in the maintenance and repair of environmentally friendly, reduced-emission terminal equipment and technology. Under that agreement, PMA committed to reskill and upskill 900 workers over a 10-year period. Specifically, the re-skill program, available to current ILWU longshore workers, will provide basic mechanical training to prepare and assist those workers to meet changes in the industry. The up-skill program, available to current ILWU longshore workers and those who have successfully passed the re-skill program, will provide advanced technical training to those individuals interested in staying at the forefront of the industry.

In addition to the individual benefits, the Worker Training Program will help ensure adequate long-term availability of skilled labor needed to handle the flow of cargo in the ports of Los Angeles and Long Beach, which are economic engines that contribute significantly to the economic growth of the region and the state.

Under the proposed Revocable Permit, the PMA is planning to operate the Workforce Training Program on the Harbor Department's property, located at Pier 400. See Transmittal 1. Currently, PMA conducts hands-on training at marine container terminals, forcing terminals to temporarily take certain equipment out of production for training purposes. Having a dedicated site, located off-terminal, will eliminate the need to remove equipment from production and as a result, eliminate any potential for operational disruptions or impacts.

The proposed site covered by the Revocable Permit would serve as a temporary training location, while the PMA, ILWU and ports of Los Angeles and Long Beach work to develop a permanent training campus and community resource for career paths in the goods-movement industry. The permanent campus would be developed using Governor Newsom's proposed \$110 million budget allocation for a training campus to support workforce resilience.

Harbor Department's Participation in the Project and Public Benefits - The proposed site for the training facility is comprised of four acres of Harbor Department-owned property located on Pier 400 (Proposed Pier 400 Training Property). This current action requests

SUBJECT: APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

the Board to consider the proposed Revocable Permit for PMA's use and occupancy of the Proposed Pier 400 Training Property. It is in the best interest of the Harbor Department to participate in this training initiative by contributing the property required to activate the program. Ultimately, through implementation of this program, the maritime goods-movement industry gains a skilled workforce that is prepared for the technological advancements that make cargo movement more efficient and environmentally sustainable. Further, the availability of a skilled and adaptable workforce is integral to supply chain fluidity and critical to successful port operations. As such, the program's public benefits reach regional, state and nationwide levels by facilitating goods movement and commerce.

The Proposed Site - The subject site is currently vacant, and has been vacant since 2002 due to the site's physical constraints (i.e. no berth, poor access, remote location, limited utility due to site geometry, and overall awkward triangular configuration). These deficiencies have essentially rendered the property an uneconomic asset. Absent this proposed use, the site would likely continue to lie fallow, making it an ideal location for the training facility. PMA seeks to lease the proposed site for approximately five years while a permanent training facility is developed.

Other sites were evaluated by PMA and Harbor Department staff over the past two years; however, the alternative sites were either cost prohibitive to develop or were more suitable/in demand for a maritime operation (i.e. flex space for storage of containers).

Proposed Project and Site Improvements - In connection with the proposed Revocable Permit, PMA would, at a minimum, invest an estimated \$11.5 million in the training program, of which \$5.8 million is dedicated to site improvements which would add value to Harbor Department's property. More specifically, PMA will install a 20,000 square foot pre-engineered warehouse-type building, bring utilities to the site, and improve site access and circulation. The Harbor Department will not incur capital or operating expenses with this project. Subject to the Board's approval of this Revocable Permit, PMA's construction is expected to commence in spring 2022 and be substantially complete by October 2022.

PMA's planned investment is detailed below:

Category	Budget
Site Improvements ¹	\$05.8M
Training Equipment	\$03.5M
Classroom equipment	\$00.1M
Curriculum	\$00.5M
Administrative Fees	\$00.5M
Contingency	\$01.1M
Total	\$11.5M

¹Warehouse building comprises \$1.6 Million of the \$5.8 million budget line item.

SUBJECT: APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

PMA will have 150 days to inspect the premises and conduct geotechnical analysis to verify the land is suitable for its construction needs. At the conclusion of 150 days, if PMA has not elected to terminate this Revocable Permit, PMA agrees that the premises are suitable for the permitted use. Depending on results of PMA's due diligence, up to an additional \$5 million may be added to the site improvement budget line item, to cover the cost of permanent deep foundations.

Discounted Rent Pursuant to California Code of Regulations (2 CCR Sections 2003(b) and (e)) - Taking into account the value of the regional and statewide public benefits arising from the implementation of the proposed training program as described above, in addition to the site improvements and the undesirable aspects of this parcel of land, PMA would pay the minimum annual rent of \$671 pursuant to 2 CCR Section 2003(b) for commercial use.

Below are material terms of the proposed Revocable Permit (Transmittal 2).

<u>Provision</u>	<u>Description</u>
Real Estate Entitlement	Revocable Permit
Permitted Use	Maritime training
Term	Initial term is up to five years Either party may terminate with 180 days' written notice.
Inspection Period	PMA will have 150 days to inspect the premises to verify the land is suitable for its construction needs during which time PMA may elect to terminate this Revocable Permit. At the conclusion of 150 days, if PMA has not elected to terminate this Revocable Permit, PMA agrees that the premises are suitable for the permitted use.
Premises	4.00 acres of paved land
Initial Monthly Rent	Minimum annual rent pursuant to the California Code of Regulations for commercial property, currently \$671 per year
Rent Adjustments	Provided the Revocable Permit is not sooner terminated, rent would increase based on increases in the Consumer Price Index
Maintenance	PMA is responsible for maintaining the premises and all improvements, at its sole cost and expense, and comply with all applicable laws, rules and regulations. PMA is accepting the property as-is, where-is.

SUBJECT: APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

Environmental Measures	PMA will be required to comply with the Mitigation Monitoring and Reporting Program associated with the Addendum to the Pier 400 Container Terminal and Transportation Corridor Project Supplemental Final EIR for the ILWU Training Center.
Restoration	PMA would be required to restore the property and remove all surface improvements, unless otherwise directed by the Harbor Department. PMA has the option to remove the pre-engineered warehouse building and relocate it to the permanent training campus, should it be required.
Insurance	Standard insurance requirements would apply.

ENVIRONMENTAL ASSESSMENT:

On October 5, 1999, the Board certified the Final EIR and associated Mitigation Monitoring and Reporting Program (MMRP) which analyzed construction and operation of a container terminal and transportation corridor located at Pier 400. In January 2022, the Harbor Department issued the Addendum to the Pier 400 Container Terminal and Transportation Corridor Project Supplemental Final EIR for the ILWU Training Center (ILWU Addendum; Transmittal 3) and posted it on the POLA website under the Environmental Documents tab. This ILWU Addendum was prepared pursuant to CEQA and revises the proposed project by assessing the construction and operation of a cargo handling equipment maintenance-and-repair training center by PMA under RP 21-19. See Transmittal 3.

According to Section 15164(b) of the state CEQA Guidelines, the Lead Agency may prepare an Addendum to an adopted EIR “if only minor technical changes or additions are necessary, or none of the conditions described in Section 15162 calling for a subsequent EIR or negative declaration have occurred.” The Director of the Environmental Management Division has determined that none of the conditions set forth in CEQA Guidelines Section 15162 have occurred; therefore, an addendum is the appropriate document. An Addendum does not need to be circulated for public review but can be included in or attached to the Final EIR per CEQA Guidelines Section 15164(c). The Board is required to “consider” the Addendum with the final EIR prior to making a decision on the Project per CEQA Guidelines Section 15164(d).

The proposed action is approval of RP 21-19 with PMA for the construction and operation of an approximately 4-acre cargo handling equipment maintenance-and-repair facility located at Pier 400. Based on the findings of the ILWU Addendum, the proposed action would create no potential adverse impacts or substantial changes to impact areas previously analyzed in the Final EIR and does not trigger any of the conditions calling for the preparation of a subsequent EIR under CEQA Guidelines Section 15162. With no new impacts or increased severity of environmental impacts, no mitigation is necessary.

SUBJECT: APPROVE REVOCABLE PERMIT NO. 21-19 WITH PACIFIC MARITIME ASSOCIATION

FINANCIAL IMPACT:

The proposed Revocable Permit would generate an estimated \$3,562 in rent payable to the Harbor Department over the initial five-year term, provided the Revocable Permit is not sooner terminated. Fair market rental value for this site is speculative at best as no entity has expressed interest in leasing the space due to physical constraints. As noted above, this parcel has been vacant for 20 years and is highly unlikely to be rented in the near future. However, in theory, the rent could potentially be \$30,000 to \$35,000 per month (equaling \$360,000-420,000 annually or \$1.8 to \$2.1 million over the initial five-year term) if there were an interested party. This is calculated using the Port's tariff rate for paved land and adjusting it downward to take into account the inferior site characteristics noted above. The PMA's site improvement component of the investment is estimated at \$5.8 million which would exceed and constitute an offset to this hypothetical rent over the proposed five-year term.

The proposed initial annual rent of \$671 would represent a deviation from the Harbor Department's Leasing Policy. However, this deviation from the Harbor Department's Leasing Policy may be justified: (1) in light of the \$5.8 million in improvements PMA is anticipated to make to the land; and (2) through application of the public benefit standard in California Code of Regulations (2 CCR section 2003(e)).

CITY ATTORNEY:

Revocable Permit No. 21-19 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Revocable Permit
3. Addendum

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:
Marla Bleavins
EUGENE D. SEROKA
Executive Director

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