



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

DATE: NOVEMBER 14, 2024

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVAL OF FIRST AMENDMENT TO AGREEMENT NO. E7213 BETWEEN ERNST & YOUNG, LLP, AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT TO PROVIDE REAL ESTATE DEVELOPMENT CONSULTING SERVICES

SUMMARY:

Staff request approval of a First Amendment (Amendment) to Agreement No. E7213 (Agreement) with Ernst & Young, LLP (EY) to continue performing real estate development consulting services related to the Request for Proposal (RFP) for development and operation of the cruise terminal at the Port of Los Angeles (Port). Approval of the proposed First Amendment will increase the not-to-exceed amount by \$150,000 from \$150,000 to \$300,000 and extend the expiration date to September 30, 2025. The City of Los Angeles Harbor Department (Harbor Department) will continue to be financially responsible for payment of costs 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. Find that, in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside contractors to perform this work than City employees;
3. Approve the First Amendment to Agreement No. E7213 with EY, which will be effective March 23, 2024;
4. Authorize the Executive Director to execute and the Board Secretary to attest the said Agreement for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – On July 14, 2020, the Harbor Department released an RFP for Real Estate Development Consultants. The RFP invited consultants to participate in a solicitation process for real estate development consulting services (Consulting Services) on an as-needed basis for the Waterfront and Commercial Real Estate Division (WCRED). The Harbor Department received 20 proposals, which were reviewed and scored by the selection committee based on six factors: qualifications,

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expertise, past experience, record of past performance, approach to work, and cost control procedures. WCRED selected the top five qualified companies (Consultants), which included EY.

On September 28, 2022, the Harbor Department released a competitive Project Task Order to the Consultants in preparation of the future release of an RFP for Cruise Development and Operations (Cruise RFP) of a new cruise terminal at the Outer Harbor and redevelopment of the existing cruise terminal at the Inner Harbor. On November 8, 2022, the project to provide Consulting Services was awarded to EY whose response provided the best overall value to the Harbor Department. On March 23, 2023, the Harbor Department signed a one-year service agreement with EY, which expired on March 22, 2024, and included a maximum payable amount of \$150,000 inclusive of reimbursable expenses.

On January 31, 2023, the Harbor Department released a draft Cruise RFP that allowed the cruise industry and community to provide feedback on the project's requirements. On March 3, 2023, the associated feedback was due, and the Harbor Department received over 100 questions and comments. WCRED worked with EY until the expiration of Agreement to provide responses and revise the draft Cruise RFP based upon the received feedback. Subsequently, the Harbor Department continued to finalize the Cruise RFP's scope of work (SOW). The final Cruise RFP was released on June 27, 2024, with proposals due on December 5, 2024.

Proposed Amendment – The proposed Amendment (Transmittal 1) will ensure optimal continuity with EY to provide Consulting Services through the final selection of the successful proposer. The Amendment: 1) increases the not-to-exceed amount by \$150,000, from \$150,000 to \$300,000; 2) extends the expiration date, from March 22, 2024, to September 30, 2025; and 3) amends the scope of work to ensure that the Harbor Department may utilize Consulting Services during post-selection contract negotiations with the successful proposer.

As previously stated, the Agreement expired on March 22, 2024. Spending totaled \$115,000 at the expiration of the Agreement. EY has not provided Consulting Services to the Harbor Department regarding the Cruise RFP since that date. The Amendment contains a retroactive effective date of March 23, 2024, to ensure on-going continuity under the Agreement. The agreement term lapsed without an amendment during a period when Harbor Department staff focused on finalizing the Cruise RFP's SOW. Please note that Consulting Services will not be needed until receipt of the formal proposals due on December 5, 2024. The Amendment allows EY to provide Consulting Services to the Harbor Department through the final selection of the successful proposer and during post-selection contract negotiations, which include proposals evaluation and benchmarking analyses of financial and commercial terms on comparable lease agreements, respectively. The anticipated remaining cost ranges from \$100,000 to \$150,000, depending on the number of proposals received.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Amendment to the Agreement with EY for continuing real estate development consulting services related to the RFP for Cruise Development and Operations, 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 First Amendment authorizes additional funds in the amount of \$150,000 for a total not-to-exceed amount of \$300,000 and extends the Agreement by 18 months to September 30, 2025. The proposed Amendment will ensure optimal continuity with EY to provide consulting services through the final selection and post-selection contract negotiation with the successful proposer. As of the expiration of the Agreement, spending had totaled \$115,000. If the proposed action is approved, it is anticipated that the remaining funds under the Agreement will be expended as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2024/25	\$135,000
2025/26	\$ 50,000
Total	\$185,000

Fiscal Year 2024/25 funds in the amount of \$135,000 are available within Account 544160 (Miscellaneous Professional Services), Expenditure Organization 44010 (Waterfront and Commercial Real Estate), Program 000 (Base Budget). The Harbor Department's financial obligations in future fiscal years are contingent upon the Board's appropriation of funds. If any subsequent fiscal year funds are not appropriated by the Board for the work required by the proposed Amendment, the Agreement shall be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. Future year funds will be requested to be budgeted through the Harbor Department's annual budgeting process, upon Board approval.

CITY ATTORNEY:

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

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TRANSMITTAL:

1. First Amendment to Agreement No. E7213 with EY

FIS Approval: *JS*
CA Approval: *BO*

Michael J. Galvin
MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

Dina Aryan Zahlan
MICHAEL DiBERNARDO for
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APPROVED:

Erica M. Calhoun for

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Executive Director