

DATE: AUGUST 31, 2021

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVE (1) SUBLEASE BETWEEN ALTASEA AT THE PORT OF LOS ANGELES AND SIGNAL STREET OPERATING, LLC AND (2) NON-DISTURBANCE AND ATTORNMENT AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND SIGNAL STREET OPERATING, LLC

SUMMARY:

Staff requests approval of the Sublease between AltaSea at the Port of Los Angeles (AltaSea) and Signal Street Operating, LLC, a Delaware limited liability company (Signal Street or SSO), in accordance with Section 13.4.1(f) of Lease No. 904A (Lease) with AltaSea. The proposed Sublease is further described in the Transfer Notice letter submitted by AltaSea to the Department in July 2021. Signal Street is proposing to sublease warehouse rooftop space at Berths 58 through 60 in order to construct and operate a solar facility for a feed-in-tariff power supply with the Los Angeles Department of Water and Power (LADWP) with an estimated power production of two megawatts. The Sublease has a term of 20 years, with two options to extend for five-years each, for a total potential term of thirty years.

Additionally, in accordance with Section 13.4.2 of the Lease, AltaSea has requested the City of Los Angeles Harbor Department (Harbor Department) to enter into a Non-Disturbance and Attornment Agreement (Non-Disturbance Agreement) between the Harbor Department and Signal Street.

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 statutorily, administratively, and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Section 21080.35(a) of the State of California CEQA Guidelines, Article II Section 2(f) of the Los Angeles City CEQA Guidelines, and Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the Sublease between AltaSea at the Port of Los Angeles and Signal Street Operating, LLC;

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3. Approve the Non-Disturbance and Attornment Agreement between the City of Los Angeles Harbor Department and Signal Street Operating, LLC;
4. Direct the Board Secretary to transmit the Non-Disturbance and Attornment Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Non-Disturbance and Attornment Agreement upon approval by City Council; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background - On December 23, 2013, AltaSea was granted Lease No. 904 (Lease) for the construction, operation, and maintenance of an urban marine research facility with a term of 50 years at City Dock No. 1. The Lease provides conditions under which AltaSea may occupy 11 parcels totaling 32.73 acres.

In August 2017, Lease No. 904 was amended and restated (Lease No. 904A) in order to expedite activation and development of the premises and reduce each party's financial obligation without compromising the original mission and goals, including providing comparable public access infrastructure; educational and public programming; job creation; and economic activity.

Proposed Sublease Agreement - The proposed Sublease (Transmittal 1) between AltaSea and Signal Street, described in more detail in the Transfer Notice Letter (Transmittal 2), will allow Signal Street to install and operate a solar electric generation and distribution facility on the premises in compliance with all requirements of the Lease. The sublease allows Signal Street to utilize warehouse rooftop space at Berths 58 through 60 for 20 years, with two five-year options to extend the sublease for a total potential term of thirty years. It is expected that when complete, the solar facility will generate approximately three megawatts of power.

The Sublease with Signal Street will provide AltaSea with a \$1,644,000 in compensation in the form of electrical infrastructure equipment and interconnection work, which will upgrade the existing power system at AltaSea (Transmittal 3). Additionally, AltaSea will receive from Signal Street a one-time payment of \$500,000, which pursuant to the terms of the Sublease, AltaSea will immediately reinvest into the premises through electrical system improvements required for the larger electrical system upgrade and solar development.

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Signal Street has contracted with its parent/sub company PermaCity Development Corp. (PermaCity) as a development partner, and Signal Street will enter into an Interconnection and Power Purchase Agreement with LADWP. PermaCity is the largest commercial solar developer and installer in Los Angeles, with more than 150 megawatts installed and operating on more than 14 million square feet of commercial roof space.

Summary of Significant Sublease Terms -

Provisions	Description
Transferee	<ul style="list-style-type: none"> • Signal Street Operating, LLC
Transferee Description	<ul style="list-style-type: none"> • Signal Street is a builder and operator of distributed solar power facilities in Los Angeles
Transfer Type	<ul style="list-style-type: none"> • Sublease of rooftop space at Warehouses B58-B60 for construction and operation of a solar facility for feed-in-tariff with the Los Angeles Department of Water and Power
Transfer Terms	<ul style="list-style-type: none"> • 20 years with two, five-year extension options
Proposed Operations	<ul style="list-style-type: none"> • Signal Street has contracted with PermaCity as its developer and installer
Non-Disturbance and Attornment Agreement	<ul style="list-style-type: none"> • AltaSea has requested the Department to execute a Non-Disturbance and Attornment Agreement
Alterations/Improvements	<ul style="list-style-type: none"> • PermaCity will construct the solar facility on the roof of Warehouses B58-60

As outlined in Section 13.3 (b) of the Lease, both Signal Street and PermaCity possess the character, experience and reputation to be considered for a Sublease to construct and operate a solar facility. Furthermore, per Section 13.3 (f) of the Lease, Signal Street has submitted the proper plans and documentation to show their level of commitment to invest and improve the warehouses.

The Sublease will assist AltaSea in upgrading the power available to the warehouses at Berths 58-60, thereby assisting AltaSea in operating an energy efficient and environmentally green campus on the premises.

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Non-Disturbance and Attornment Agreement - In accordance with Section 13.4.2 of the Lease, AltaSea has requested that the Department enter into a Non-Disturbance and Attornment Agreement (Transmittal 4) as part of its sublease with Signal Street.

The Non-Disturbance and Attornment Agreement (Non-Disturbance Agreement) will be effective upon execution by the Executive Director, and will be in effect so long as AltaSea's sublease with Signal Street is in effect, but in no event shall it be longer than the term of the Department's Lease with AltaSea.

The proposed Non-Disturbance Agreement provides that if AltaSea's Lease with the Department is terminated, and provided that Signal Street is not in default under its sublease, the Department will not disturb Signal Street's possession of their subleased space and the Harbor Department will continue to allow Signal Street to own and operate the solar facility on the premises for the remaining term of the sublease.

Additionally, the Non-Disturbance Agreement outlines that the Harbor Department and Signal Street agree that the solar facility and all of its improvements, equipment, and renewable energy (including environmental credits) are solely owned by Signal Street, and that no such property or credits shall be considered as fixtures to the premises and may be removed by Signal Street at any time without approval from the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed actions are the approval of a Sublease between AltaSea and Signal Street and a Non-Disturbance Agreement between the Harbor Department and Signal Street, which are activities including installation of solar energy systems, an administrative activity, and an activity involving the issuance of a lease to use an existing structure or facility involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed actions are statutorily, administratively, and categorically exempt from the requirements of CEQA in accordance with Section 21080.35(a) of the State of California CEQA Guidelines, Article II Section 2(f) of the Los Angeles City CEQA Guidelines, and Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Sublease will enable Signal Street to sublease warehouse rooftop space at Berths 58 through 60 over a term of 20 years. In exchange, AltaSea will receive a total benefit of \$2,144,258.20, comprising of \$1,644,258.20 in electrical infrastructure upgrades and \$500,000 in monetary compensation which will be required to be immediately reinvested in additional electrical system improvements. Staff anticipates the proposed Sublease will benefit the Harbor Department, as the proposed electrical improvements will further enable AltaSea to attract tenants to the premises and stimulate economic development within the surrounding area.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved as to form and legality the Non-Disturbance and Attornment Agreement. The recommendation to approve the Sublease between AltaSea and Signal Street Operating, LCC raises no legal issues at this time.

TRANSMITTALS:

1. Sublease
2. Transfer Notice
3. Estimated Infrastructure and Interconnection Costs
4. Non-Disturbance and Attornment Agreement

FIS Approval: *MB*
CA Approval: *JS*

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