

**DATE: MARCH 23, 2021**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ACCEPTANCE AND APPROVAL OF AN AGREEMENT WITH THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT TO SUPPORT THE ZERO EMISSION SHORE TO STORE DEMONSTRATION PROJECT GRANT WITH THE CALIFORNIA AIR RESOURCES BOARD**

**SUMMARY:**

Staff requests Board of Harbor Commissioners (Board) acceptance and approval of a proposed Agreement with the South Coast Air Quality Management District (SCAQMD) to provide the City of Los Angeles Harbor Department (Harbor Department) with \$1,000,000 in cost-share support for the California Air Resources Board (CARB) grant funded zero emissions "Shore to Store" Demonstration project (Project). On March 7, 2019, the Board accepted a grant award from the CARB and approved Grant Agreement No. 19-3639 in the amount of \$41,122,260 to administer the Project. Through this Project, the Harbor Department is partnering with Kenworth Truck Company (Kenworth), the Port of Hueneme (POH), the National Renewable Energy Laboratory (NREL), and Shell Oil Products, US (Shell) to develop and demonstrate on-road hydrogen fuel cell and off-road battery electric zero emissions vehicles, together with supporting fueling infrastructure. On September 5, 2019, the Board approved Subrecipient Agreements with Kenworth, POH, and NREL. On July 23, 2020, the Board approved a Subrecipient Agreement with Shell. This proposed Agreement with SCAQMD is the final funding agreement necessary under this Project. The Harbor Department will not commit any funding to this Project beyond its staff time and resources to act as Project Manager, including ensuring all project deliverables are completed in accordance with the CARB Grant Agreement No. 19-3639.

**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 City of Los Angeles CEQA Guidelines;

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2. Approve the Agreement between the City of Los Angeles Harbor Department and the South Coast Air Quality Management District (SCAQMD) for SCAQMD to provide \$1,000,000 in cost-share to support the Shore to Store Demonstration Project;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Funding Agreement with the South Coast Air Quality Management District for and on behalf of the Board; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – On March 7, 2019, the Board accepted a grant award from CARB in the amount of \$41,122,260 and approved Grant Agreement No. 19-3639 (Transmittal 1) to develop and demonstrate equipment and to administer the Project. On September 5, 2019, the Board approved Subrecipient Agreements with Kenworth, POH, and NREL. On July 23, 2020, the Board approved a Subrecipient Agreement with Shell. Staff is requesting approval of an additional agreement with SCAQMD to receive a contribution of \$1,000,000 to support the Project as cost-share.

The overall project schedule has been impacted due to the COVID-19 crisis. An amendment to the CARB Grant Agreement extending the Project completion date to 2023 will be brought to the CARB Board and to the Board for consideration under separate Board action.

“Shore to Store” Project Summary – The Harbor Department is partnering with world-leading original equipment manufacturers, Kenworth, Shell and Toyota Motor North America (Toyota) to establish a new forward-looking zero-emissions framework for future goods movement throughout Southern California and beyond. The Project focus is on providing critical regional hydrogen fueling infrastructure for short, medium and especially long-haul drayage provided by 10 zero emission hydrogen fuel cell drayage trucks. It will showcase a complete zero emission supply chain from the time that a ship arrives at the Port of Los Angeles (Port) until it reaches its final storefront destination. Additionally, the Project is designed to expand into a statewide system serving not only Southern California but someday the entire state. Finally, the Project provides an opportunity for the POH to demonstrate zero emissions battery electric yard tractors at its facility 60 miles north of the Los Angeles metropolitan area.

SCAQMD Cost-Share – Staff is requesting that the Board approve the proposed Agreement with SCAQMD for their role in the Project (Transmittal 2). SCAQMD will provide \$1,000,000 to support the construction of the first 5 zero emission hydrogen fuel cell trucks manufactured by Kenworth. This proposed Agreement will be the final piece of required cost-share to be contracted for this Project.

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Harbor Department Responsibilities - The Harbor Department's responsibility under the proposed Agreement is limited to project administration and pass-through of grant funds (including these additional SCAQMD funds) to Project demonstration participants per the Project schedule. Any shortfall in budget allocations or task item schedules under the CARB Grant Agreement No. 19-3639 will be the responsibility of the respective Project partner undertaking that task.

The remaining work under this proposed Agreement will be conducted at various sites, outside of Port property, owned and operated solely by the project partners. This work was contracted under the previously approved Subrecipient Agreements.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is to accept and approve a proposed Agreement with the SCAQMD to provide the Harbor Department with \$1,000,000 in cost-share support for the CARB grant funded zero emissions "Shore to Store" demonstration project. The acceptance of cost-share funding and Project Manager administration are administrative activities with no physical impacts on the environment. Other Project subrecipient agreements with physical activities were separately assessed under their adopting Board resolutions. Therefore, 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 City of Los Angeles CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Agreement will contractually obligate the SCAQMD to provide \$1,000,000 in matching funds to support the construction of the first five zero emission hydrogen fuel cell trucks manufactured by Kenworth as part of the Project. The table below summarizes the total cost and funding commitments by all participants:

<b>Participants</b>	<b>CARB Funds</b>	<b>Match Funds</b>	<b>Total</b>
Kenworth	\$20,430,000	\$1,300,000	\$21,730,000
Toyota		\$9,741,848	\$9,741,848
Shell	\$17,100,000	\$13,400,000	\$30,500,000
POH	\$3,000,000	\$200,000	\$3,200,000
TTSI		\$545,433	\$545,433
SCE		\$310,000	\$310,000
UPS		\$930,000	\$930,000
SCAQMD		\$1,000,000	\$1,000,000
NREL	\$592,260		\$592,260
Harbor Department *		\$13,999,331	\$13,999,331
<b>Total</b>	<b>\$41,122,260</b>	<b>\$41,426,612</b>	<b>\$82,548,872</b>

\* Harbor Department matching funds include the CEC previously funded grant projects counted as in-kind match share.

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The \$41,122,260 grant award and the \$41,426,612 cost share was originally scheduled to be spent over a two-year period ending June 2022. This schedule requires an amendment to the CARB Grant Agreement No. 19-3639 which will be brought to the Board for approval as a separate Board action. Staff expects the \$1,000,000 in SCAQMD matching funds to be received prior to June 2023.

The Harbor Department will not commit any additional funding to this Project beyond its staff time and resources to act as Project Manager, including ensuring all project deliverables are completed in accordance with the CARB Grant Agreement No. 19-3639.

**CITY ATTORNEY:**

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

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**TRANSMITTALS:**

1. Grant Agreement No. 19-3639 with the California Air Resources Board
2. Proposed Agreement with the South Coast Air Quality Management District

FIS Approval: MB  
CA Approval: SO



CHRISTOPHER CANNON  
Director of Environmental Management

*Michael DiBernardo*

MICHAEL DIBERNARDO  
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APPROVED:

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