



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 2, 2011

FROM: PLANNING & ECONOMIC DEVELOPMENT DIVISION

SUBJECT: RESOLUTION NO. _____ FOR THE APPROVAL OF AN EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND BERGAMOT STATION, LTD. FOR THE ADAPTIVE REUSE OF WAREHOUSE NOS. 9 & 10

SUMMARY:

It is recommended that the Board of Harbor Commissioners (Board) approve an Exclusive Negotiating Agreement (ENA) between the City of Los Angeles Harbor Department (Port) and Bergamot Station, Ltd. (Developer) to negotiate the potential adaptive reuse of Warehouse Nos. 9 & 10 as a visitor-serving arts and craft center. The ENA is for a period of 120 days to allow the Port and Developer to perform due diligence, refine the development concept, and attempt to negotiate more detailed documents ultimately intended to culminate in a ground lease. These documents would require future Board approval. During the ENA period, the Port will not negotiate with any other party for any other development of Warehouse Nos. 9 & 10 and the Developer will not negotiate with any other party at any other property for a similar use. While the proposed reuse of the warehouses is generally consistent with the use assessed in the Board approved San Pedro Waterfront Project Environmental Impact Report/Environmental Impact Statement (EIR/EIS), further environmental analysis may be required after the development concept is more fully defined.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Exclusive Negotiating Agreement between the City of Los Angeles and Bergamot Station, Ltd.; and
2. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement, for and on behalf of the Board; and
3. Adopt Resolution No. _____.

SUBJECT: ENA FOR ADAPTIVE REUSE OF WAREHOUSE NOS. 9 & 10

DISCUSSION:

Background – The San Pedro Waterfront Project EIR/EIS, which was approved by the Board on September 29, 2009, included adaptive reuse of Warehouse Nos. 9 & 10 in the project scope. Warehouse Nos. 9 & 10 are located northwest of the intersection of 22nd and Miner Streets and total approximately 140,000 square feet. The warehouses were used to store general cargo but have been vacant since the fall of 2010. The reuse of the warehouses was to provide a low-intensity community and visitor serving commercial or educational use that would complement the recreational uses of the adjacent open space areas and the overall planned redevelopment of the San Pedro Waterfront.

On November 16, 2010, a Request For Interest (RFI) was released for the adaptive reuse of Warehouse Nos. 9 & 10. Three responses were received from interested developers by the submittal deadline of January 18, 2011. The proposals included a specialty and big box retail development, a creative office campus and the arts and crafts center. The proposals were evaluated by a multi-discipline team of Port staff and the Director of Economic Development from the Department of Water and Power. Selection criteria focused on how well the proposed development creates an active environment that would draw additional visitors to the waterfront and contributes to the overall enhancement of the San Pedro Waterfront, the qualifications and experience of the developer in adaptive reuse of warehouses or industrial buildings, experience in partnering with public agencies, the developer's ability to secure capital and the quality of the proposed development vision. The arts and crafts center concept was submitted by the same team that created the Bergamot Station Arts Center in Santa Monica, and includes individual studio spaces for artists to create their wares, a public marketplace for the display and sale of the crafts and a café. As proposed, the project site would also be programmed with periodic arts festivals with live music.

The proposed arts and crafts concept was selected as it best meets the strategic economic development goals of the San Pedro Waterfront project by providing a community and visitor-serving attraction that would provide a significant number of jobs and bring visitors to the waterfront. The proposed concept will provide a complementary use to the planned future redevelopment of Ports O' Call Village and is a compatible land use with the adjacent open space areas of the San Pedro Waterfront. As the reuse of the warehouses will attract visitors to the waterfront and enhance the redevelopment opportunity for Ports O'Call Village, the proposed development is expected to be consistent with the Tidelands Trust. Additionally, the proposed development will support the San Pedro arts community by bringing additional arts focused visitors to the local area.

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The ENA is for a period of 120 days commencing on the date the agreement becomes effective pursuant to the City Charter and Administrative Code. The ENA may be extended by mutual written agreement of the Executive Director and the Developer. The ENA may be terminated by either party should either party fail to perform under the ENA or the project is found to be infeasible by either party.

During the term of the ENA, both parties will perform good faith due diligence relating to the proposed development concept. The Port will review the Developer's financial references, assist the Developer in performing entitlement and permitting due diligence as well as assist the Developer in the public outreach effort for the proposed development. The Port will also prepare draft term sheets for an Option Agreement and Ground Lease. The Developer will refine their proposed development concept, undertake a thorough site assessment of the warehouses (utility capacity, structural analysis, roof assessment and construction cost estimate), complete a tenant demand analysis, develop a business plan, provide information as requested by the Port to determine the need for any additional environmental analysis and undertake a public outreach effort. With the exception of any costs relating to additional environmental assessment work, the Port and the Developer are responsible for their own costs incurred related to the performance of their due diligence activities. Should any environmental assessment related work be incurred by the Port during the ENA, those costs will be the responsibility of the Developer.

The ENA does not commit either party to proceed with a proposed redevelopment of the warehouses and allows for a termination of the ENA should good faith due diligence not be exercised or the project is determined to be infeasible by either party.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an ENA for due diligence activities and development of a non-binding term sheet for the proposed development concept involving adaptive reuse of Warehouse Nos. 9 & 10 previously assessed as part of the San Pedro Waterfront EIR/EIS. The proposed action does not include approval of the development concept, which may be subject to new or additional assessment under the California Environmental Quality Act (CEQA). As such, the Director of Environmental Management has determined that the proposed action is administrative in nature and is considered exempt from CEQA in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines.

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ECONOMIC BENEFITS:

While the action of approving the ENA will have no direct employment effect, the successful redevelopment of Warehouse Nos. 9 & 10 is anticipated to attract additional visitors to the area and complement existing and future San Pedro Waterfront developments, including the planned redevelopment of Ports O' Call Village. Additional visitor spending will have a positive impact on the local economy through additional tax revenues and local job creation; however, because these benefits depend on both the type of redevelopment and its' actual performance, these benefits cannot be quantified at the present time.

FINANCIAL IMPACT:

The approval of the proposed Exclusive Negotiating Agreement is not expected to have a financial impact upon the Harbor Department as it merely memorializes the framework in which the Harbor Department and the Developer will negotiate a potential business relationship. Should a term sheet develop from this arrangement, it will be brought before the Board for consideration. Additionally, information will be provided to the Board at that time as it relates to estimated revenues, costs and capital commitments associated with the proposal.

CITY ATTORNEY:

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

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TRANSMITTALS:

1. Exclusive Negotiating Agreement
2. Site Map

FIS: WLP
CA: TR



DAVID L. MATHEWSON
Director of Planning & Economic Development



KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

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