



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

DATE: SEPTEMBER 18, 2019

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE EXCLUSIVE
NEGOTIATING AGREEMENT WITH BELLWETHER FINANCIAL GROUP
FOR THE DEVELOPMENT OF A BOATYARD AT BERTH 44**

SUMMARY:

Staff requests approval of an Exclusive Negotiating Agreement (ENA) between the City of Los Angeles Harbor Department (Harbor Department) and Bellwether Financial Group (Bellwether) to negotiate potential development of a boat and ship maintenance and repair facility (Boatyard) at Berth 44 (Site). The Harbor Department negotiated the ENA with Bellwether in response to a Request for Proposals for the Berth 44 Boatyard Development Opportunity (RFP). The ENA is for a period of 12 months with options to extend up to three years, at the Executive Director's discretion, to allow the Harbor Department and Bellwether to perform due diligence, refine the development concept, prepare financial and market analysis, perform initial remediation and prepare environmental assessments, and negotiate more detailed terms ultimately intended to culminate in a ground lease which will be subject to further approval of the Board of Harbor Commissioners and Los Angeles City Council. While the ENA is in effect, the Harbor Department will not negotiate with any other party for development of the Site.

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. Approve the Exclusive Negotiating Agreement with Bellwether Financial Group;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Exclusive Negotiating Agreement; and
4. Adopt Resolution No. _____.

SUBJECT: BELLWETHER FINANCIAL GROUP ENA**DISCUSSION:**

Background – In July 2018, the Harbor Department released an RFP to develop vacant land located at the Site of the Port of Los Angeles as a Boatyard (Transmittal 1). The Site, formerly known as San Pedro Boatworks, was used as a boatyard from 1923 to 2002. In recent years, a number of similar facilities traditionally serving Los Angeles County and beyond have closed due to the increasing operational restrictions and capital investment required to conform with regulatory requirements.

The scope of the RFP was to solicit proposals to develop and operate a Boatyard to support the needs of the maritime industry and Southern California boater community. The selected Proposer would enter into exclusive negotiations for a long-term lease with the Harbor Department.

Four proposal responses were received by the submittal deadline of October 4, 2018. The proposal evaluation team included a Los Angeles World Airports Property Manager, as well as Harbor Department's Harbor Planning and Research Director, Senior Civil Engineer, and Financial Analyst II. The proposers were evaluated based on their demonstrated expertise in the development and operation of projects of the type and scale being proposed, as well as their ability to fund and or finance the proposed development. The evaluating panel selected Bellwether as the strongest proposer in light of the Harbor Department's goal of attracting a private party to develop and operate a state-of-the-art Boatyard capable of serving boats ranging in size from 40 to 150 feet and larger.

The initial term of the ENA is 12 months with four six-month extension options at the Executive Director's discretion. Given the site's remediation and environmental assessment needs, along with issues related to a project of this scope and complexity, the ENA (Transmittal 2), if extensions are granted, is anticipated to require a term of up to three years, prior to potential Board consideration of a long-term lease. The expected duration required to complete negotiations for a long-term lease and complete the required environmental assessment is 21 months, however, due to the complexity of the proposed project and uncertainty as to the actual duration of the environmental assessment, an additional term up to 36 months is recommended. The ENA requires deliverables for the proposer at the three-month timeframe to ensure continued engagement and forward progress towards the final objective of executing a long-term lease. Other agreements anticipated to be negotiated during the exclusivity period include an Environmental Reimbursement agreement, right of entry agreement, term sheet and long-term lease, which is subject to the environmental assessment process.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the ENA with Bellwether, 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. Additional CEQA assessment will need to be performed on any project that may come out of the ENA process, prior to project approval.

SUBJECT: BELLWETHER FINANCIAL GROUP ENA

FINANCIAL IMPACT:

The proposed ENA has no Financial impact. The proposed ENA establishes the framework upon which the Harbor Department will enter into an exclusive negotiating period with Bellwether Financial Group. The ENA does not commit either party to proceed with a proposed development of the Boatyard Site as any terms or agreements for the Site must be brought before the Board for approval. During the term of the ENA, the Harbor Department and Bellwether are responsible for their own costs incurred related to the performance of their due diligence activities. The Harbor Department and Bellwether are in the process of negotiating an Environmental Reimbursement Agreement to apportion CEQA/NEPA compliance costs attributable to the proposed future project. Additional financial details of the proposed Boatyard development are pending further refinement of the concept and will be brought to the Board in a separate future action.

CITY ATTORNEY:

The Exclusive Negotiating Agreement has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. Site Map
- 2. Exclusive Negotiating Agreement

FIS Approval: MB
CA Approval: EB

Michael J. Galvin FOR

MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

Michael DiBernardo
MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

Eugene D. Seroka

EUGENE D. SEROKA
Executive Director