



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 22, 2017

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE PRIVATE RAILROAD CROSSING AGREEMENT WITH HARBOR PERFORMANCE ENHANCEMENT CENTER, LLC

SUMMARY:

Staff requests approval of a Private Railroad Crossing Agreement (PRCA) with Harbor Performance Enhancement Center, LLC (HPEC) for the purpose of providing adequate access to the proposed Premises under Revocable Permit No. 17-05 (RP), located on City of Los Angeles Harbor Department (Harbor Department) land on Terminal Island.

Under a separate, but inter-dependent action, approval of the RP with HPEC is being considered for the proposed use of approximately 10 acres, for a period not to exceed 13 months, to conduct a pilot study to market-test the validity of HPEC's proposed operational model to study certain proposed approaches to improve container movement efficiency and cargo velocity at the container terminals. The results of the study will be shared with the Harbor Department and used to inform the full-scale project description for the required California Environmental Quality Act (CEQA) study and report.

The PRCA is not a stand-alone rental agreement. Rather, it is part and parcel to the RP for the proposed pilot study whose compensation and term is concomitant with the RP. If the RP is not approved, there is no need at this time for the PRCA. Approval of the PRCA is only to provide HPEC with access to the proposed Premises under the RP sufficient to conduct the proposed pilot study. As such, HPEC will be required to install and maintain certain railroad crossing improvements in accordance with Public Utilities Commission regulations for the safe use of the at-grade private crossing. Such improvements will be subject to staff review and the issuance of a Harbor Engineer Permit.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 4(7) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;

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2. Approve the Private Railroad Crossing Agreement with Harbor Performance Enhancement Center, LLC;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Private Railroad Crossing Agreement; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background – In June 2015, the Harbor Department released a Request for Proposal (RFP) to solicit a qualified entity to develop, operate, and maintain a container terminal support facility on Terminal Island at the former sites of the U.S. Customs House and LAXT facility (Project site). The scope of the development was to solicit proposals that will increase the velocity, fluidity, and efficiency of existing nearby container terminals in the San Pedro Bay.

The RFP resulted in five responses, of which HPEC was selected because its proposal best represented the goal of improving the flow of cargo through the San Pedro Bay by developing a truck staging/waiting area, storage for containers mounted on chassis, chassis depot and adaptively reusing the Customs House for office and meeting space (Project).

Given the central location of the Project site to the Harbor Department's largest container terminals, and the projected volume of cargo moving through the San Pedro Bay ports, it is anticipated that the proposed Project will support critical truck-based cargo movements through the gateway and thus may greatly augment the core cargo-handling function. The type of operation proposed at the Project site may also provide substantial environmental benefits by reducing the idling time and terminal gate congestion currently experienced by truckers at the port complex.

As part of both parties' due diligence to test the feasibility of the Project and to develop its project description for CEQA, HPEC has hired AECOM and Cambridge Associates to model the test performance. HPEC will utilize the premises to conduct the pilot study to collect essential operating metric data, which will sample container movement efficiencies created through HPEC's operational model. Specifically, the pilot study, limited to 400 parking spaces, or "spots", is designed to reveal actual customer interest for the proposed container handling and staging program as well as help provide insights into the seasonality of container volumes over the length of the permit period. This data will provide information which can be used to develop improved container movement efficiencies and cargo velocity for San Pedro Bay container terminals. The metrics utilized in the pilot study will include container dwell time at the site, ingress and egress times, and an analysis of throughput improvements and other efficiency improvements at the terminals. The data collected from the pilot study will be shared with the Harbor Department and will supplement current and future traffic and cargo movement analyses.

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Furthermore, the study will gauge expected environmental benefits of improving efficiencies and reducing gate wait times and engine idling, and reduced congestion at impacted intersections and roadways during peak hours in the San Pedro Bay.

Summary of the Private Railroad Crossing Agreement

Existing ingress and egress to the interior rail loop area (i.e., Parcel 2 of RP) at the former LAXT site is through a subsurface tunnel with limited throughput access. A railroad crossing is necessary to provide adequate access into Parcel 2 of the RP Premises to support the pilot study. As such, a Private Railroad Crossing Agreement will be entered into with HPEC based on the following pertinent terms:

Effective Date: The Private Railroad Crossing Agreement (Transmittal 1) will become effective only after RP is approved and executed by the Executive Director. The PRCA then becomes revocable upon 30 days' written notice concomitant with the RP.

Term: Maximum term of 13 months, concomitant with the RP.

Area: The crossing area consists of 1,344 square feet of land for a private at-grade crossing for ingress and egress to Parcel 2 of the Premises as described in the RP. These premises are located directly east of 300 South Ferry Street (Transmittal 2).

Compensation: In consideration for the use of the private at-grade crossing, HPEC shall construct and maintain, at its sole cost and expense, certain improvements necessary for the safe use of such private crossing. The total cost of HPEC improvements is estimated at \$11,930.

Permitted Use: Construction, operation, and maintenance of a private at-grade crossing as a secondary ingress and egress to Parcel 2 of HPEC's premises, which is the subject of the aforementioned RP.

Improvements: HPEC shall obtain a Harbor Engineer Permit to construct the private railroad crossing. Design and construction of the private railroad crossing shall conform to Public Utilities Commission of the State of California, General Order No. 75-D, "Regulations Governing Standards for Warning Devices for At-Grade Highway-Rail Crossings in the State of California". In addition to drawings and specifications stamped by a California licensed engineer, HPEC shall submit protocols for the operation of the Private Railroad Crossing approved by the Pacific Harbor Line, a rail operator, as an element of the Harbor Engineer Permit. The private at-grade crossing shall be designed with lockable gates, and other barriers as necessary so as to not allow unsupervised use of the private at-grade crossing.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a PRCA with HPEC for the temporary operation of a pilot project limited to a 13-month duration involving drayage truck, container and chassis handling, staging and storage, along with minor modifications to the premises. As an activity involving the temporary use of land and minor alterations to the condition of the land, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III, Class 4(7) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The PRCA is not a stand-alone rental agreement. Rather, it is part and parcel to the RP for the proposed pilot study whose compensation and term is concomitant with the RP. HPEC will invest \$11,930 for the at-grade rail crossing improvements for adequate access to Parcel 2 of the Premises under the RP. Under the RP, the Harbor Department will recapture the improved value of the private at-grade crossing at expiration. The project as a whole is expected to generate an estimated 11.25 percent rate of return, versus the Board policy target rate of 10 percent on land and 12 percent on improvements.

CITY ATTORNEY:


The Private Railroad Crossing Agreement has been reviewed and approved as to form and legality by the Office of the City Attorney.


TRANSMITTALS:

- 1. Private Railroad Crossing Agreement
- 2. Site Map


 JACK C. HEDGE
 Director of Cargo & Industrial Real Estate

FIS Approval: MB (Initials)
 CA Approval: Jm (Initials)


 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:
 FOR
 EUGENE D. SEROKA
 Executive Director