

CATEGORICAL EXEMPTION and TRADE, TRAVEL, AND TOURISM COMMITTEE REPORT relative to the Port of Los Angeles (POLA) agreement with Space Exploration Technologies Corp. (SpaceX), for the construction and operation of a research, design and manufacturing facility for rockets and spacecraft at the Port.

Recommendations for Council action:

1. ADOPT the determination by the Board of Harbor Commissioners that the proposed action is categorically exempt under the California Environmental Quality Act OF 1970 (CEQA) in accordance with Article III, Classes 1 (14) of the Los Angeles City CEQA Guidelines.
2. APPROVE the Port Resolution No. 18-8269 authorizing POLA Permit No. 937 with SpaceX for the construction and operation of a research, design and manufacturing facility for rockets and spacecraft at Port Berth 240 for a term of ten years with two ten-year options to extend, at an initial annual rent of approximately \$1.38 million.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the initial annual rent compensation payable to the POLA is estimated at more than \$1.38 million and will be adjusted annually by the Consumer Price Index up to an estimated \$2.7 million in compensation by Year 20, for a total cumulative compensation of approximately \$40 million. As part of the Tenant Improvement Allowance, due to development and improvements of the project site, SpaceX will receive an estimated \$40 million for the initial 20-years of the Permit, which include the initial 10-year contract term and the first 10-year renewal option. Beginning in Year 21, the POLA will collect approximately \$3 million annually and a total of \$30 million during the final 10 years of the 30-year proposed Permit. At the end of the 30-year Permit, the land and improvements committed under the Permit to SpaceX will revert back to the POLA.

Community Impact Statement: None submitted.

TIME LIMIT FILE – MAY 29, 2018

(LAST DAY FOR COUNCIL ACTION - MAY 29, 2018)

SUMMARY

In a report to the Mayor dated April 26, 2018, the CAO states that POLA requests approval of Resolution No.18-8269 authorizing proposed Permit No. 937 SpaceX to construct and operate a research, design, and manufacturing facility for the development and launch of advanced rockets and spacecraft parts. SpaceX plans to build the facility at the 19-acre POLA site formerly used for the Southwest Marine facility at Berth 240. Completed rockets will be too large to transport over land by road, so SpaceX plans to transport the rockets over the water, on a barge or ship to the launch sites. The means of transportation necessitates that the proposed facility be adjacent to a body of water. POLA states that the value of the tenant improvements at Berth 240, and related areas, will transfer back to POLA at the end of the Permit.

According to the CAO, SpaceX is considered one of the fastest growing providers of launch services and develops reusable rockets to transform space exploration by developing reliable

space craft at comparatively reduced cost. The company has more than 5,000 employees at its headquarters in Hawthorne. The new facility to be constructed at the Port will employ approximately 700 persons. SpaceX will be responsible for the construction of all new improvements at the project site.

On April 19, 2018, the Board of Harbor Commissioners approved POLA's request. The CAO concurs with this action.

At its meeting held May 1, 2018, the Trade, Travel, and Tourism Committee discussed this matter with POLA staff and a representative of SpaceX. POLA staff stated that the SpaceX project will use property that has been vacant since 2005 and is in need of renovation. Space X will also be responsible for environmental mitigation at the site. The SpaceX representative stated that the company already uses the Port of Los Angeles to conduct rocket recovery operations. The Port is located close to the company's nearby Hawthorne office. It is anticipated that grading will begin at the site in two to three weeks. Construction of the building shell should be completed in approximately five months.

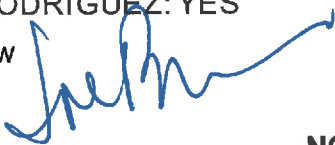
The Committee praised the proposed agreement. The Committee Chair stated the project will create high-end jobs and attract more production and development business at the Port. SpaceX was commended for its work with local schools and colleges to promote education for careers in science, engineering, and related job fields. The Committee recommended that Council approve POLA's request for the proposed Permit with SpaceX, as recommended by the Board of Harbor Commissioners and the CAO.

Respectfully Submitted,

TRADE, TRAVEL, AND TOURISM COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
BUSCAINO:	YES
BONIN:	ABSENT
RODRIGUEZ:	YES

jaw



-NOT OFFICIAL UNTIL COUNCIL ACTS-