

RECOMMENDATION APPROVED;
RESOLUTION 22-10091 (LEASE 904A)
ADOPTED
BY THE BOARD OF HARBOR COMMISSIONERS

November 3, 2022
AM Klesges
Amber M. Klesges
Board Secretary



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 20, 2022

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. 22-10091 – APPROVE FIFTH AMENDMENT TO AMENDED AND RESTATED LEASE NO. 904A WITH ALTASEA AT THE PORT OF LOS ANGELES

SUMMARY:

Staff requests approval of the Fifth Amendment to Amended and Restated Lease 904A (Lease No. 904A) with AltaSea at the Port of Los Angeles (AltaSea). The premises, located at City Dock No. 1 and consisting of 32.85 acres, is for water-dependent, academic, and governmental uses, and houses a non-profit and for-profit marine research facility.

The proposed Fifth Amendment includes required revisions to AltaSea's various development milestones including parcel acceptance and construction completion timelines for various parcels. In addition, the proposed Amendment includes modifications to the terms governing the Harbor Department's remediation reimbursement provision and monetary commitments towards improvements. While approval of the proposed Amendment will adjust the timing and conditions relating to the Harbor Department's financial commitments, the aggregate amount of the Harbor Department's financial commitments will not change if the proposed Amendment is approved.

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 Fifth Amendment to Amended and Restated Lease No. 904A with AltaSea at the Port of Los Angeles;
3. Direct the Board Secretary to transmit the Fifth Amendment to Amended and Restated Lease No. 904A to the City Council for approval pursuant to Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Fifth Amendment to Amended and Restated Lease No. 904A upon approval by City Council; and
5. Adopt Resolution No. 22-10091.

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DISCUSSION:

Background - On December 23, 2013, AltaSea was granted Lease No. 904 (Lease) for the construction, operation, and maintenance of an urban marine research facility with a term of 50 years at City Dock No. 1. The Lease provides conditions under which AltaSea may occupy 11 parcels totaling 32.85 acres.

In August 2017, Lease No. 904 was amended and restated (Lease No. 904A) in order to expedite activation and development of the premises and reduce each party's financial obligation without compromising the original mission and goals, including providing comparable public access infrastructure; educational and public programming; job creation; and economic activity.

Proposed Fifth Amendment – The proposed Fifth Amendment (Transmittal 1) will include revisions required to keep AltaSea in good standing and will update various milestone deadlines, clarify improvement obligations, define remediation reimbursement details and amend conditions precedent to Harbor Department monetary contribution towards improvements. The Fifth Amendment will include:

Acceptance Deadline and Conditions for B57 and B61B

- AltaSea shall accept Parcels B57 and B61B no later than December 31, 2025, whereas the original acceptance deadline is December 31, 2022. This acceptance deadline requires adjustment due to construction delays for development of Berths 58-60 warehouses. Delays have occurred due to various reasons including permitting from Los Angeles Department of Water & Power (LADWP) for solar and electrical systems upgrades and funding constraints resulting from the lingering effects of the COVID-19 pandemic. Staffing resources and fundraising have focused on completion of the Berth 58-60 warehouse development project; therefore, AltaSea has not been able to make simultaneous progress with the Berth 57 warehouse project.
- AltaSea shall be permitted to accept Parcels B57 and B61B after completion of required improvements for Parcels B58 and B60 if all other conditions of acceptance for B57 and 61B have been met.

Pre-Acceptance use of Warehouse B57

- Allowing pre-acceptance uses currently permitted for Parcel B58 warehouse prior to the acceptance date for Parcel B57, and subject to Environmental Review. Granting pre-acceptance use of B57 warehouse will provide various tenants with covered indoor space to move into as AltaSea redevelops B58-60 warehouses. Utilizing this existing and available vacant space will provide additional flexibility to attract and retain valuable tenants.

Clarify wharf improvement obligations by AltaSea

- AltaSea will have flexibility in the B58-60 crane installation obligation by allowing for development of one or multiple stationary or mobile crane systems, versus the current requirement to install three stationary crane systems. Mobile crane systems provide flexibility in berthing for various ships and can be developed at a lower overall cost with less in water work.

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- The construction completion date will change from December 22, 2022 to June 30, 2024 due to delays with obtaining permitting from LADWP for solar and electrical systems upgrades and limited funding resulting from the lingering effects of the COVID-19 pandemic. AltaSea will begin electrical and solar construction by December 2022 with an expected groundbreaking for Warehouse 58 and 60 to occur in the second quarter of 2023.

Combine eligibility for first \$3M of City remediation reimbursement

- The Harbor Department will reimburse AltaSea up to \$3,000,000 after completion of Parcels B58-B60 Tenant Improvements, and completion of Parcels B60B, B72A, and B72B Tenant Improvements, and after AltaSea submits to the Harbor Department of documentation showing actual costs paid for the remediation in Parcels B58-B60 and Parcels B60B, B72A, and B72B. AltaSea may request reimbursement separately for each of Parcels B58-B60 after the Tenant Improvements for each parcel completed. Previously, AltaSea was required to complete both Parcels B58-60 and Parcel B57.5 construction to be eligible to access the entire \$3 million in remediation reimbursement, with \$1.5 million accessible after each respective project was completed. The Berth 57.5 construction scope was previously deleted from the development requirements (in Amendment 2); therefore, consolidating these milestones is required. Further, AltaSea has requested added flexibility to assist with cash flow by allowing reimbursement of actual funds expended at the completion of each of three separate projects for the warehouses at Parcels B58, B59, and B60 warehouses. All reimbursed funding directly benefits the Harbor Department by remediating construction materials and ground contamination present on Harbor Department-owned property.

Amend conditions precedent to City \$6M monetary contribution for B58 improvements

- Under Amendment 4 4, the Harbor Department agreed to advance \$6 million towards development at Parcels B58-60 warehouses with various conditions required prior to the disbursement of funds. Various conditions include the milestone dates referenced above which must be adjusted under this Fifth Amendment. Additionally, AltaSea has requested clarifying language to allow proportional reimbursement of construction expenditures that occur prior to the effective date of the Fifth Amendment in the event that the construction contract commences prior to all funding conditions being met.

The Fifth Amendment is attached as Transmittal 1 and provides additional details for all sections of Lease No. 904A being amended. Staff recommends the Board approve the Fifth Amendment to keep AltaSea in good standing and address the necessary changes needed to assist AltaSea in meeting their project development schedule and goals.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Fifth Amendment to Lease No. 904A with AltaSea for revisions to development milestones, amendment and updates to scope of work and scheduling, and changes to monetary commitments between AltaSea and the Harbor Department, which is an administrative activity. Any revisions to the scope of work compared to what was assessed in the FEIR for other project elements are subject to separate environmental review and are not included as part of the current approval. Therefore, the Director of Environmental Management has determined that the proposed

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action is administratively exempt from the requirements of CEQA in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed amendment will: (i) revise various scopes of work and schedules; and (ii) revise the timing and conditions governing the Harbor Department’s \$3,000,000 remediation reimbursement provision and \$6,000,000 in monetary commitments towards improvements.

With respect to remediation reimbursements, the Harbor Department will continue to be responsible for reimbursing up to \$3,000,000 in expenses incurred by AltaSea to remediate construction materials and ground contamination present on Harbor Department-owned property. Whereas AltaSea currently must complete all construction activities at both Parcels B58-60 and B57.5 in order to be eligible for reimbursements, the proposed Amendment will enable AltaSea to receive reimbursements as remediation is completed at individual parcels.

With respect to the Harbor Department’s financial commitment towards development of the Parcels B58-60 warehouses, the Harbor Department’s \$6,000,000 commitment will remain unchanged. Approval of the proposed Amendment will enable AltaSea to access a portion of this \$6,000,000 commitment to cover certain construction costs already incurred.

CITY ATTORNEY:

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

TRANSMITTAL:

- 1. Fifth Amendment

FIS Approval: MB
 CA Approval: SO

Michael J. Galvin
 MICHAEL J. GALVIN
 Director of Waterfront & Commercial Real Estate

Michael DiBernardo
 MICHAEL DIBERNARDO
 Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
 Executive Director