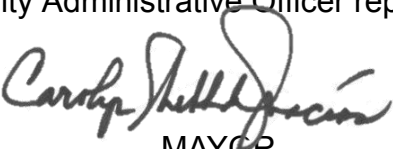


TRANSMITTAL		0150-05840-0010
TO Eugene D. Seroka, Executive Director Harbor Department	DATE 3/29/2024	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15
<p>RESOLUTION NO. 24-10316 AND PROPOSED AGREEMENT NO. 24-10007 WITH YUSEN TERMINALS, LLC. TO IMPLEMENT A ZERO-EMISSION YARD TRACTOR DEMONSTRATION PROJECT FOR THREE YEARS AT AN ESTIMATED COST OF \$1,500,000 TO THE HARBOR DEPARTMENT</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p> MAYOR (Carolyn Webb de Macias for)</p> <p>Attachment</p> <p>MWS/PJH/JVW:JAS:10240169</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 19, 2024

CAO File Nos. 0150-05840-0010

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer



Reference: Correspondence from the Los Angeles Board of Harbor Commissioners (Board) dated February 6, 2024 and February 29, 2024 Board Resolution; referred by the Mayor for report on February 29, 2024

Subject: **RESOLUTION NO. 24-10316 AND PROPOSED AGREEMENT NO. 24-10007 WITH YUSEN TERMINALS, LLC. TO IMPLEMENT A ZERO-EMISSION YARD TRACTOR DEMONSTRATION PROJECT FOR THREE YEARS AT AN ESTIMATED COST OF \$1,500,000 TO THE HARBOR DEPARTMENT**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 24-10316 which authorizes the proposed Agreement No. 24-10007, Permit No. 692, between the Harbor Department and Yusen Terminals, LLC. (YTI), to implement a zero-emission yard tractor demonstration project over three years, for total estimated costs to the Harbor Department of \$1,500,000, with first year estimated costs of \$300,000; the term of the demonstration project is estimated to begin upon approval of the agreement and end in three years in 2028, if there is a successor Permit, or September 30, 2026, the current Permit expiration date, if there is no successor Permit;
2. Adopt the February 29, 2024 Board of Harbor Commissioners findings that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Harbor Department Executive Director, or designee, to execute the proposed Agreement, already approved as to form by the City Attorney, and return the Agreement to the Port for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requested approval of its February 29, 2024 Resolution No. 24-10316 (Attachment 1) which authorizes Agreement No. 24-10007 (Agreement) between the Los Angeles Harbor Department (Harbor Department) and Yusen Terminals, LLC. (YTI) to implement a zero-emission yard tractor demonstration project (Project),

that is human-operated, for three years at its terminal property located at Berths 212-224. YTI's original agreement was executed October 27, 1990, and currently expires on September 30, 2026. The Project is a requirement of the 11th Amendment of Permit No. 692, approved in 2015 which included the Mitigation Monitoring and Reporting Program (MMRP) Lease Measure (LM) AQ-4: Zero or Near-Zero Emissions Demonstration Project.

If approved, the Agreement would commence upon City Council approval and terminate in 2028, or September 30, 2026, the current Permit expiration date, if there is no successor Permit. The Project has an estimated cost to the Harbor Department of \$1,500,000 which will be split over four fiscal years: FY 2024-25 through FY 2027-28.

The proposed amendment has been approved as to form by the City Attorney. Pursuant to Charter Section 373, Council approval is required due to the term exceeding three years. Our Office has reviewed the request and recommends approval.

BACKGROUND

On September 12, 1990, Council approved the July 20, 1990 Board action (Order No. 5941) to authorize the original Permit with YTI to allow for the docking and mooring of vessels owned, operated, or chartered by YTI or vessels of its customers and for the assembling, distributing, loading and unloading of goods, wares and merchandise on and off such vessels (C.F. 90-1643). The Permit dated October 27, 1990, was for a term of 25 years from the terminal delivery date of August 20, 1991, with one, 10-year option to renew, and for the use of Berths 211-215. Since that time, and via multiple amendments to the original agreement, the YTI terminal space has been revised and expanded and now consists of Berths 212-224.

Yusen Terminals, LLC. (YTI): YTI is a major container shipping tenant with 70 employees, supporting another 250 jobs through the International Longshore and Warehouse Union. The revenue to the Harbor Department during YTI's first 25 years of the Permit was over \$725 million. Since YTI's Permit renewal in 2016 through 2023 the revenue to the Harbor Department was over \$399 million.

Premises: The premises, which has been amended over the course of the agreement, currently comprises approximately 225 acres of Harbor Department property on Terminal Island located at 701 New Dock Street, San Pedro, CA 90731, including Berths 212 to 224. (Refer to Attachment 2 - Map of premises)

There have been a total of 13 amendments to the Permit since its inception conveying various administrative, ownership, boundary, compensation, and other substantive terms to the agreement such as expansion of YTI's terminal facility that are summarized in this report and detailed in Attachment 1. YTI opted to exercise the 10-year renewal option of their Permit in 2015 via the 11th Amendment. This 11th Amendment became effective February 10, 2015, and included the requirement of the MMRP LM AQ-4 to demonstrate the feasibility of using zero-emission or near-zero emission yard tractors at the YTI terminal (C.F. 14-0094). Implementation, schedule and costs associated with the required mitigation efforts are discussed below.

Mitigation Measures Monitoring and Reporting Program for YTI Project: Section 21081.6 of the California Public Resources Code (PRC) requires a Lead or Responsible Agency to adopt a mitigation monitoring and reporting program (MMRP) when approving or carrying out a project. An Environmental Impact Statement/Environmental Impact Report (EIS/EIR) on YTI's project identified potential environmental impacts and, as required, recommended measures to mitigate these impacts. As such, this MMRP is required to ensure that adopted mitigation measures are successfully implemented and that a monitoring strategy was prepared for each mitigation measure identified in the proposed Project.

LM AQ-4 Requirement: As part of the MMRP included in the 11th Amendment to the Permit, YTI will participate in a demonstration project lasting three years to investigate the feasibility of using two zero emission or near-zero emission yard tractors on the YTI terminal. Per the agreement, the Harbor Department is required to provide the equipment to be tested and any necessary infrastructure, including charging stations, as part of the project.

Alternatives Considered: Once the MMRP requirement became effective in February 2015, Harbor Department staff began investigating ground-breaking zero and near-zero emission technologies that could meet the obligations of the Project. Since 2017, Harbor Department staff has met with YTI regularly to consider the types of technologies available, however zero and near-zero emission technologies for yard tractors were limited at that time. Harbor Department staff looked for opportunities to share equipment from other demonstration projects through 2020. Due to challenges with equipment performance and grant obligations at other marine terminals, it was determined that equipment from other demonstration projects could not be used. In 2021, YTI and the Harbor Department were able to secure two zero-emission yard tractors manufactured by Kalmar which were later removed from production due to battery safety concerns announced by the manufacturer in 2022.

In 2023, YTI was able to finalize its selection of demonstration equipment, which includes two "human-operated" battery electric terminal yard tractors, manufactured by two new vendors, MAFI and TICO, collectively referred to herein as the Equipment. Due to the Equipment procurement timeline, the possibility exists for one or both of the Equipment units to be delivered in 2025. The physical demonstration Project tasks must be completed on the Premises within the term of YTI's rights to use the Premises under the Permit or a successor permit or other entitlement agreed to by the parties.

YTI MMRP Scope of Work: YTI will perform a three-year demonstration of two battery-electric zero emission yard tractors, that are human-operated, to test the feasibility of the Equipment in marine terminal cargo handling activities at its Permit Premises. YTI is responsible for leasing and operating the Equipment in accordance with original equipment manufacturer guidelines and, at its own expense, will maintain, repair, or replace the equipment or any component thereof during the term of the Agreement, and as covered by the manufacturer's three-year equipment warranty. YTI will also be responsible for infrastructure maintenance and providing semi-annual monitoring reports regarding equipment performance along with a final report with recommendations for future implementation in terminal operations. At the end of the Project, YTI will be responsible for returning the Equipment to the authorized dealer or manufacturer as stipulated in the lease agreement or they may choose to purchase the Equipment or continue lease payments at their

own expense.

Harbor Department MMRP Responsibilities and Costs: As part of the 11th Amendment's LM AQ-4 in 2015, the Harbor Department agreed to "provide the equipment to be tested and any necessary infrastructure, including charging stations, as part of the project." The Harbor Department will reimburse YTI for three years of Equipment lease payments and install electrical infrastructure at the Premises, which includes electric vehicle supply equipment for charging the Equipment. In addition, the Harbor Department will reimburse YTI for its actual costs of maintaining the infrastructure during the Agreement term, and provide administrative oversight.

Table 1 provides the detailed estimates of \$1,500,000 in costs that the Harbor Department is required to pay for. The items include the lease, charging infrastructure and installation and estimated actual maintenance costs.

Table 1: Harbor Department Cost Estimate	
Item and Description	Cost Estimate
Equipment lease for 36 months (Reimbursed to YTI)	\$700,000
Electrical charging infrastructure equipment and installation	\$300,000
Actual costs to maintain the infrastructure and repair/replacement costs not covered by manufacturer's warranty (Reimbursed to YTI)	\$500,000
Total	\$1,500,000

Successor Permit - The current Permit will expire on September 30, 2026. The Harbor Department and YTI are in negotiations for a successor permit, under which the proposed Agreement would still be in effect. If an agreement for a successor permit is not reached, the Agreement shall terminate on September 30, 2026 and YTI's sole remaining obligation shall be to comply with its reporting requirements for demonstration activity prior to the termination date including a final report to be submitted up to 60 days following the Permit expiration. The Harbor Department shall reimburse YTI for expenses incurred in accordance with the Agreement prior to the termination date and the Equipment Lease Early Termination Costs.

The electrical infrastructure and charging equipment will remain at the YTI Permit Premises after the Project is completed. The charging equipment is non-proprietary and could be used by YTI or any successor tenant of the Premises with other types of yard trucks and Medium/Heavy Duty equipment requiring electrical battery charging.

Agreement Term: The term of the proposed Agreement shall commence upon City Council approval and will terminate upon the earlier of the following:

- 1) If there is no successor Permit 692 with YTI: September 30, 2026.
- 2) If there is a successor Permit 692 with YTI: the earlier of (a) sixty (60) days after YTI's

- submission of the final report and the Harbor Department's final payment of all Agreement reimbursements, or (b) such other date upon which YTI ceases to operate on the premises.
- 3) Funding under the Agreement is no longer available for any reason and then the City shall provide at least ten (10) days' written notice to YTI with the effective termination date.
 - 4) The Board, in its sole discretion, terminates and cancels all or part of the Agreement for any reason upon giving YTI ten (10) days' notice in writing.
 - 5) YTI, in its sole discretion, terminates and cancels all or any part of the Agreement for any reason consistent with Exhibit A, upon giving the City ten (10) days' notice in writing.

Project Schedule: Table 2 below lists YTI's MMRP work activity, estimated timelines, and identifies the responsible parties for each activity, which may be adjusted based on equipment delivery:

Table 2: YTI MMRP Project Schedule		
Activity	Timeline	Responsible Party
Equipment purchase order	Q1 2024	YTI and Vendor/ Manufacturer
Equipment production	360 days from order	MAFI and TICO
Equipment delivery	Q1 2025	MAFI and TICO
Infrastructure installation	Q1 2025	Harbor Department
Start demonstration project	Q2 2025	Harbor Department and YTI
Equipment testing and reporting	2025 until three years completed	Harbor Department and YTI
End demonstration project	Estimated in 2028 (or September 30, 2026 if no successor permit)	Harbor Department and YTI
Submit final report to Harbor Department	Within 60 days upon completion of the project	YTI

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On February 29, 2024, the Board determined that the action is administratively exempt as it is an action which is an activity for which the underlying project has been previously assessed in the Berths 212-224 (YTI) Container Terminal Improvements Project Environmental Impact Report (SCH#2013041017), which was certified by the Board on November 7, 2014. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of the CEQA and is administratively exempt in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines. The City Attorney has reviewed and approved the proposed Agreement as to form. Pursuant to Charter Section 373, Council approval is required because the term exceeds three years. Our Office recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed Agreement No. 24-10007 between the Harbor Department and Yusen Terminals, LLC., will result in an estimated cost of \$1,500,000 for the three to four year program with estimated expenditures of \$300,000 for FY 2024-25, and \$400,000 each for FY 2025-26 through FY 2027-28. Funds for the charging infrastructure and installation costs will be budgeted and expended through the department's Capital Improvement Program and requested through the Project Development Committee and annual budget process. The Harbor Department's financial obligations after the first year of the Agreement are contingent upon the Board appropriation of funds. Equipment lease expenses will be expended from Account 59190 (Equipment Rental), Center 0330 (Environmental Management), Program 000 (Base Budget). If any subsequent fiscal year funds are not appropriated by the Board for the work required by the Agreement, then the Agreement shall be terminated. The recommendations in this report and proposed actions comply with the Harbor Department's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – February 6, 2024 Harbor Department Report Resolution No. 24-10316 and Agreement No. 24-10007
Approved by the Board of Harbor Commissioners at its February 29, 2024 meeting
Attachment 2 - Transmittal 1 - Map of premises

MWS:PJH/JVW:JAS:10240169