

0150-12339-0000

**T R A N S M I T T A L**

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|---|------------------------|------------------|
| TO<br>Eugene D. Seroka, Executive Director<br>Harbor Department | DATE<br><br>07/25/2023 | COUNCIL FILE NO. |
| FROM<br>The Mayor   | COUNCIL DISTRICT<br>15 |                  |

**RESOLUTION NO. 23-10176 AND PROPOSED SIXTH AMENDMENT TO  
AMENDED AND RESTATED LEASE NO. 904A WITH  
ALTASEA AT THE PORT OF LOS ANGELES**

Approved and transmitted for further processing including Council consideration.  
See the City Administrative Officer report attached.

  
MAYOR  
(Chris Thompson for)

Attachment  
MWS/PJH/JVW:SHF:10240005t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: July 17, 2023

CAO File No. 0150-12339-0000

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated April 27, 2023 regarding April 27, 2023 Board Resolution; referred by the Mayor for report on April 28, 2023

Subject: **RESOLUTION NO. 23-10176 AND PROPOSED SIXTH AMENDMENT TO AMENDED AND RESTATED LEASE NO. 904A WITH ALTASEA AT THE PORT OF LOS ANGELES**

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### RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10176 authorizing approval of the proposed Sixth Amendment to the Amended and Restated Lease No. 904A with AltaSea at the Port of Los Angeles;
2. Adopt the April 27, 2023 Board of Harbor Commissioners findings that the proposed action is administratively and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Executive Director, or designee, to execute the proposed agreement, already approved as to form by the City Attorney, and return the Resolution to the Port for further processing, including Council consideration.

### SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its April 27, 2023 Resolution No. 23-10176 (Attachment 1) authorizing approval of the proposed Sixth Amendment to the Amended and Restated Lease 904A (Lease) between the Los Angeles Harbor Department (Port) and AltaSea at the Port of Los Angeles (AltaSea). The proposed Amendment includes (i) revisions to the Port's monetary contributions towards improvements at Warehouses 58-60, (ii) deletion of the Parcel 56 Engagement Center Project, and (iii) addition of an adjacent parcel at

Berth 56 that was recently vacated by the California Department of Fish and Wildlife (CDFW). The Port's total monetary commitment under the Lease in the amount of \$36,660,000 is not expected to change as a result of the proposed Amendment.

The proposed Amendment has been approved as to form by the City Attorney. Pursuant to Charter Section 606, Council approval is required because the lease term exceeds five years. Our office has reviewed the request and recommends approval.

## **BACKGROUND**

AltaSea is an independent California non-profit benefit organization, incorporated in 2014 to develop a marine research facility at the Port of Los Angeles (POLA). The development mission is to create a marine-focused research, education and commercial campus on the Los Angeles Waterfront that will provide comparable public access infrastructure, educational and public programming, job creation, and economic activity. AltaSea's premises consists of 11 parcels at POLA City Dock No. 1 (parcel numbers coincide with the berth numbers). The proposed Amendment is recommended to expedite the development of Warehouses 58-60, improve engagement within the AltaSea campus, and eliminate investment in improvements that have limited utility by both the Port and AltaSea at Berth 56.

*Original Lease No. 904* – The original lease with Rockefeller Philanthropy Advisors Inc., with subsequent lease assignment to AltaSea, was approved by the Board on November 7, 2013 and Council on December 17, 2013 (C.F. 13-1634) for the development of an urban marine research center at the POLA City Dock No. 1. AltaSea was granted the lease on December 23, 2013 for the construction, operation, and maintenance of the research facility for a term of 50 years, from December 23, 2013 through December 22, 2063.

*Amended and Restated Lease No. 904A (Lease)* – In August 2017, the lease was amended and restated in order to expedite activation and development of the premises and reduce each party's financial obligations without compromising AltaSea's original development mission and goals (C.F. 13-1634, dated August 16, 2017). The new project scope included the construction of a Wharf Plaza and Education Pavilion at Berth 57.5.

*Additional Prior Amendments to the Lease* – The Lease was amended five times between 2018 through 2022 (C.F. 13-1634, S3-S4). Revisions were made to various development milestones including parcels' acceptance and construction completion timelines, various parcel scopes of work, obligations by both the Port and AltaSea, as well as funding and payment structure and procedures. A combination of factors, including continued delays to secure the necessary electrical power for the site, project cost increases, revisions to project scope, schedule and investment, partnership development, and the COVID-19 pandemic, have hindered AltaSea from meeting certain deliverables required by the Lease. The mission of the development and the Port's total financial commitment have remained the same.

*Proposed Sixth Amendment* – The proposed Amendment includes the following changes:

- (i) Revisions to the Port's monetary contribution towards improvements at Warehouses 58-60 – AltaSea has received funding commitments totaling \$22 million, including \$15 million from the State of California and \$7 million from private donors, to redevelop all three warehouses simultaneously instead of in two to three phases as previously planned. The Port's initial \$6 million contribution would be used for redeveloping all three warehouses versus the existing requirement for Warehouse 58 only. AltaSea additionally requests expedited access to use the initial \$3 million, out of the Port's \$6 million contribution, when it meets a lowered than existing required funding pre-condition for Warehouse 58. Additionally, because a significant portion of its funds are post-expenditure reimbursement grants from the State, AltaSea requests less restrictive bank deposit conditions to lower its borrowing costs and address cash flow challenges. As part of the proposed revised funding structure, AltaSea will be required to produce evidence of \$20 million in committed funding for the Warehouses 58-60 project prior to funds provisions from the Port.
- (ii) Deletion of the Berth 56 Engagement Center Project – The deletion of the existing proposed engagement center at Berth 56 and the 22nd Street reconfiguration project from the Lease is proposed in consideration of high project cost of more than \$50 million, limited amount jobs would be produced, and available alternative methods to achieve a higher degree of public engagement.
- (iii) Addition of Parcel 56C at Berth 56 – Parcel 56C is adjacent to the AltaSea premises and was historically used by the CDFW. It was recently vacated as CDFW relocated and is opening a field office at the AltaSea campus. This parcel includes a historic-eligible office building that needs significant upgrades for future occupancy. AltaSea will be required to pay an annual rent of \$3,169 based on the existing rate structure under the current Lease.

Primarily in response to the deletion of the Berth 56 Engagement Center and 22nd Street reconfiguration, AltaSea will be required to produce a development plan for Parcels 56A-C, subject to the Port's approval, including various tenant or land use concepts configured to provide enhanced pedestrian access and facilitate the integrated engagement experience throughout the AltaSea premises for the public and the tenants. The Port's existing commitment of \$9.04 million for the 22nd Street realignment would be deleted from the Lease, but is anticipated to be redirected towards a future development at Berth 56, which may still include improvements to 22nd Street. All other terms of the proposed Amendment and Lease meet the Port's Financial and Leasing policies.

## **CITY COMPLIANCE**

The City Attorney has reviewed and approved the proposed Amendment to Lease No. 904A with AltaSea as to form. Pursuant to Charter Section 606, Council approval is required because the lease term exceeds five years.

*California Environmental Quality Act (CEQA)* – On April 27, 2023, the Board determined that the proposed action is administratively and categorically exempt from requirements of the CEQA in accordance with Article II Section 2(f) and Article III Class 1(14) of the Los Angeles City CEQA Guidelines. Any developmental activities resulting from the new design for pedestrian access and restoration of the historic building will be handled under a separate CEQA analysis.

## **FISCAL IMPACT STATEMENT**

The Port's overall monetary commitment of \$36,660,000 under Lease No. 904A is not expected to change if the proposed Amendment is approved. The Port's contribution of \$6,000,000 at Berths 58-60 will be applied towards the development of all three warehouses rather than only one. Of the Port's commitment of \$12,040,000 for the development at Berth 56, \$9,040,000 for relocating 22nd Street will be removed from the Lease but is anticipated to be redirected towards a future development at Berth 56. The Port will continue to be responsible for reimbursing up to \$3,000,000 in expenses incurred by AltaSea for remediation work on the Port-owned property at Berth 56. There is no impact on the City's General Fund.

Attachment 1 – April 27, 2023 Harbor Board report, Resolution 23-10176

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