



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 17, 2018

FROM: PLANNING AND STRATEGY

SUBJECT: RESOLUTION NO. _____ – ISSUANCE OF A LEVEL II NON-APPEALABLE COASTAL DEVELOPMENT PERMIT (NO. 18-05) TO SPACE EXPLORATION TECHNOLOGIES CORP. TO DEVELOP A TRANSPORTATION VESSELS MANUFACTURING FACILITY AT BERTH 240

SUMMARY:

Staff requests that the Board of Harbor Commissioners (Board) approve a Level II non-appealable Coastal Development Permit (CDP) No. 18-05 to Space Exploration Technologies Corp. (SpaceX). The proposed CDP would permit SpaceX to develop a water access dependent transportation vessels manufacturing facility at Berth 240 on Terminal Island as outlined in Application for Port Permit (APP) No. 170117-008. The proposed project (Project) would be developed on a total leasable area of approximately 19 acres with an approximate 10-acre disturbance area of the site that is currently vacant land, formerly occupied by the Southwest Marine shipyard, along the Main Channel. The proposed Project includes construction of an approximately 203,500 square-foot prefabricated building that would be approximately 105 feet tall. Up to four above ground bulk storage tanks of refrigerated gases nitrogen, oxygen, and noble gases helium and argon are included under CDP No.18-05.

SpaceX is financially responsible for the entirety of the approximately \$42 million project cost. Staff recommends approval of CDP No. 18-05.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Hold a public hearing for the proposed Coastal Development Permit No. 18-05, a Level II non-appealable permit;
2. Find that the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines;
3. Find that the proposed project conforms with the Port of Los Angeles certified Port Master Plan;

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4. Upon closure of the public hearing, resolve to approve the issuance of Coastal Development Permit No. 18-05, consistent with the project description listed on Application for Port Permit No. 170117-008, and direct the Director of Planning and Strategy to execute and issue said permit on behalf of and as the designee of the Executive Director; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – SpaceX has identified the vacant site at Berth 240 as suitable for a new industrial manufacturing facility to design, develop, and manufacture prototypes and first-generation models of specialized commercial water access dependent transportation vessels. The vessels, once complete, would be too large for delivery by road, and thus must be taken via barge or ship, necessitating that the facility be located adjacent to the water.

The site at Berth 240 has been inactive since October 2005—except for temporary filming uses. The site consists of abandoned industrial buildings, unused compacted dirt area, and an unused wharf. Approximately one third of the Project site is paved and the remainder consists of dirt with minimal ruderal vegetation. The site is currently located on a Department of Toxic Substance Control (DTSC) cleanup site (Remedial Action Order No. HAS-RAO 08/09-056). Remediation of contaminated soils was completed as outlined in the 2016 Remedial Action Plan (RAP) in November 2017 and is pending approval from the DTSC and the United States Environmental Protection Agency (USEPA). Construction of the manufacturing facility and development of the site, including parking and wharf repair, would be implemented under an agency-approved Soil Management Plan. Prior to the issuance of a permit by the Harbor Department, the DTSC and the USEPA will be informed of the proposed project activities. Additionally, in accordance with the future institutional controls as noted in the 2016 RAP, a permit from the Harbor Department will be required for the proposed site excavations and will require specific soil handling procedures.

On March 15, 2018, the Board approved Resolution No. 18-8259 and adopted the Final Initial Study/Mitigated Negative Declaration (Final IS/MND) for the Berth 240 Transportation Vessels Manufacturing Facility Project. On April 19, 2018, the Board approved Permit No. 937 with SpaceX.

Project Description – The proposed project would develop the 19-acre site into a transportation vessels manufacturing facility. Construction activities are expected to include:

- Construction of a new approximately 203,500-square-foot prefabricated building with an estimated height of 105 feet;

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- Construction of up to four above ground bulk storage tanks for helium, nitrogen, oxygen, and argon;
- Site grading, paving and landscaping;
- Repairs to the existing wharf surface but no in-water work; and
- Utilities and equipment as needed;

This industrial manufacturing facility would develop prototypes of new technologies needed to advance the specialized deployment of water access dependent transportation vessels and develop the manufacturing processes prior to implementing production on a larger scale. Operation would likely include general manufacturing procedures such as welding, composite curing, cleaning, painting, and assembly operations. The majority of operations would take place inside the facility, with exterior operations limited to transit of vehicles, forklift traffic, and mobilization of manufactured products onto a barge at the dockside for testing and delivery.

Finished vessels would need to be transported via water due to their size; thus, there is the need to locate the facility immediately adjacent to the water. The site would accommodate the current recovery operations, undertaken by SpaceX at Berth 52, to bring to shore vehicles returning from space that are retrieved by an autonomous drone ship offshore.

Coastal Permit Requirements – The proposed project is a Level II non-appealable project in accordance with Section 6.4 of the Port Master Plan (PMP). A Level II permit is required for projects that involve significant resources; cause major changes in land and/or water use and in the density or intensity of the use; have the potential of creating significant environmental impacts that can or cannot be mitigated; or are appealable. The proposed project is a Level II CDP because the 19-acre development involves significant resources and may cause major changes in the intensity of the use, as outlined in Section 6.4.3 of the PMP (Transmittal 2).

Procedurally, a Level II non-appealable CDP requires a public hearing that is publicized at least 15 calendar days prior to the scheduled date of the hearing. A public notice for the proposed development was published on April 18, 2018 (Transmittal 3).

The Director of the Division of Planning and Strategy has determined that the proposed project is consistent with the PMP and the Chapter 8 policies of the California Coastal Act (Coastal Act) of 1976, as amended. The transportation vessels manufacturing facility requires large over-the-wharf handling of cargo, similar to project cargo operations. The project site, located in Planning Area 4 of the PMP, is designated for Breakbulk or Maritime Support uses. Since this water-dependent development would operate similar to project cargo operations and project cargo is provided as an example of Breakbulk

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uses in Table 8 of the PMP, the proposed project is consistent with its Breakbulk land use designation. The proposed project of wharf and backlands improvements is consistent with Section 30708 of the Coastal Act and Policy 2.1 of the PMP which requires port-related development be given highest priority for the use of existing land within harbors to port purposes such as cargo operations.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of CDP No. 18-05 to SpaceX to develop a water access dependent transportation vessels manufacturing facility at Berth 240. This project was previously assessed in the Final Initial Study/Mitigated Negative Declaration (Final IS/MND) for the Berth 240 Transportation Vessels Manufacturing Facility Project, which was certified by the Board of Harbor Commissioners on March 15, 2018. Therefore, the Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the CDP is a procedural requirement for the proposed development of an 19-acre site at Berth 240 for a transportation vessels manufacturing facility. The proposed Permit No. 937 with SpaceX has a ten-year initial term, with two ten-year renewal options, for a total maximum term of 30 years. Initial annual compensation payable to the Harbor Department is estimated at approximately \$1.38 million and will be adjusted annually by CPI to attain an estimated \$2.7 million in compensation by year 20, for a total cumulative compensation of approximately \$40 million (inclusive of the estimated \$225,000 option fee for the initial option beginning year 11). However, corresponding to this initial 20-year period, the Tenant Improvement Allowance is estimated at \$40 million and will offset any compensation due the Harbor Department through year 20. Beginning in year 21 (the final year of the tenant improvement allowance estimated at \$1.5 million), the Harbor Department is estimated to collect approximately \$3 million in annual compensation (also adjusted by CPI annually) from SpaceX through the end of the 30-year permit term for an estimated total of \$30 million during the final 10 years of the permit (also inclusive of the estimated \$274,000 option fee for the second and final option beginning in year 21). At the end of the 30-year permit, the land committed under the permit to SpaceX will revert back to the Harbor Department with an estimated future value of over \$36 million, as would the estimated \$55 million future value of improvements completed by SpaceX during the permit term.

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CITY ATTORNEY:

The City Attorney's office has reviewed this Board Report and determined that it raises no legal issues at this time.

TRANSMITTALS:

1. Site Location Map
2. CDP No. 18-05
3. Public Notice

FIS Approval: *MB* (initials)
CA Approval: *MB* (initials)



MICHAEL KEENAN
Director of Planning and Strategy



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
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APP No. 170117-008