



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: DECEMBER 4, 2019**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE REVISED  
PERMIT NO. 934 WITH CARDINAL PIPELINE L.P.**

**SUMMARY:**

Staff requests approval of the proposed Permit No. 934 (P934) in its revised form with Cardinal Pipeline L.P. (Cardinal), a California limited partnership, for a term of 20 years to occupy 12,887 square feet of subsurface pipeline right-of-way within the Wilmington Classification Yard. Currently these premises are occupied on holdover under Permit No. 735 (P735) and generate \$4,718 in annual rental revenue. Under the proposed P934, annual rental revenue would increase by \$22,345 to \$27,063 per year, subject to annual increases based on the Consumer Price Index (CPI-U).

Staff also requests rescission of the May 2, 2019 approval of Resolution No. 19-8465 by the Board of Harbor Commissioners concerning the same permit in favor of the proposed P934 in its revised form. The proposed action corrects the square footage to reflect the actual space occupied by Cardinal.

**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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(18) of the Los Angeles City CEQA Guidelines;
2. Rescind the May 2, 2019 approval of Resolution No. 19-8465 approving Permit No. 934;
3. Approve Permit No. 934 with Cardinal Pipeline L.P.;
4. Direct the Board Secretary to transmit Permit No. 934 to the City Council for approval pursuant to Charter Section 606 of the City Charter;
5. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 934 upon approval by City Council; and
6. Adopt Resolution No. \_\_\_\_\_.

**SUBJECT: APPROVE PERMIT NO. 934 WITH CARDINAL PIPELINE L.P.****DISCUSSION:**

Background – Under P735, effective July 1, 1993, Texaco Trading and Transportation, Inc. was granted occupancy of the premises for the construction, operation, and maintenance of subsurface pipelines (Transmittal 1) for transportation of petroleum products. Through various assignments, Cardinal is now successor in interest of the premises. P934 (Transmittal 2) will supersede P735, which is on holdover status.

Cardinal is not a common carrier per the Public Utilities Code (PUC), and is therefore subject to the traditional rent structure.

Material terms of the proposed Permit are as follows:

<b><u>Provisions</u></b>	<b><u>Description</u></b>
Real Estate Entitlement	Term Permit
Permitted Use	Maintenance and operation of existing subsurface pipelines for the transportation of crude oil
Term	20 years
Effective Date	Upon approval by Board and Los Angeles City Council
Premises	12,887 square feet, subsurface pipeline right-of-way
Compensation Rate <sup>1</sup>	Rent to be paid up front on an annual basis \$2.10 per square foot per year, reflecting a 50% subsurface discount
Annual Rent	\$27,063
Rental Adjustments	1. Annual CPI-U adjustment 2. Five-year rate adjustment
Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense
Rules Governing Pipelines	Permit includes stringent requirements regarding pipeline testing and inspections in compliance with all applicable laws, rules, and regulations
Insurance	Insurance provision includes all standard insurance requirements, including Environmental Impairment Liability Insurance
Relocation Right	Board has the right to require Tenant to relocate pipelines at Tenant cost or City may relocate pipelines at Tenant cost
Security Deposit	\$6,765.75 (3 months' rent), in cash or letter of credit
Notes: <sup>1</sup> Rate is calculated using a 10% rate of return (as required in the Port's Leasing Policy) on land values of \$42.00 per square foot with a 50% subsurface discount. Staff confirmed the land values used to derive the rate are consistent with the market in the area.	

**SUBJECT: APPROVE PERMIT NO. 934 WITH CARDINAL PIPELINE L.P.**

Request to Rescind Prior Action – The Board approved P934 (Resolution No. 19-8465) at its meeting on May 2, 2019, but the Los Angeles City Council never acted on this item. Staff requests rescission of this approval in favor of the proposed Permit in its revised form. The proposed action: (1) corrects the square footage to reflect the actual space occupied by Cardinal; and (2) increases Cardinal's rent from what was presented in May to reflect current market value.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of P934 with Cardinal for maintenance and operation of pipelines, which is the issuance of a permit granting use of subsurface pipelines serving industrial or commercial facilities in the Harbor District involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the CEQA in accordance with Article III Class 1(18) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The attached Board report requests approval of Permit No. 934 with Cardinal for a term of 20 years to occupy 12,887 sf of subsurface pipeline right-of-way within the Wilmington Classification Yard. The proposed Permit will generate rent of \$27,063.00 per year, with annual adjustments based on CPI-U. Currently, annual rent of \$4,718.00 is generated by the subsurface pipeline premises, and the proposed rent in Year 1 of \$27,063.00 would represent an increase of \$22,345.00 or 474 percent relative to the annual rent currently received by the Harbor Department.

**CITY ATTORNEY:**

Permit No. 934 has been reviewed and approved as to form and legality by the Office of the City Attorney.

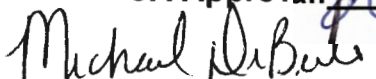
**TRANSMITTALS:**

1. Site Map and Vicinity Map
2. Permit No. 934

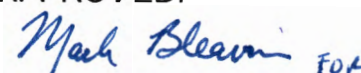


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Director, Cargo & Industrial Real Estate

FIS Approval:   
CA Approval: 

  
MICHAEL DiBERNARDO  
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APPROVED:

 FOR  
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Executive Director