

DATE: AUGUST 1, 2018

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER APPROVING
COMPENSATION RESET UNDER PERMIT NO. 560 WITH VOPAK
TERMINAL LOS ANGELES, INC.**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 560 with Vopak Terminal Los Angeles, Inc. (Vopak). The proposed reset is for the period of August 30, 2018 through August 29, 2023. Currently, annual land rent is set at \$3,826,801. Effective August 30, 2018, the land rent for the period of August 30, 2018 through December 31, 2018 will increase by the Consumer Price Index (CPI) adjustment rate (upon its publication) pursuant to the terms of Permit No. 560. The proposed compensation reset will increase land rent effective January 1, 2019 to \$5,420,873 per year, an increase of \$1,594,071 per year from current annual land rent. On August 30, 2019, and annually thereafter, land rent will be adjusted by CPI. This compensation amount is based on the City of Los Angeles Harbor Department (Harbor Department) receiving a 10 percent annual rate of return on the market value of waterfront land of \$40 per square foot (s.f.), and the market value of backland of \$30 per s.f. All subsurface pipeline right-of-way is discounted by 50 percent. The proposed increase in land rent effective January 1, 2019 equates to a 42 percent increase from the current rate.

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 Order resetting compensation to Permit No. 560 with Vopak Terminal Los Angeles, Inc.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 560; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 560

DISCUSSION:

Background: Permit 560 allows Vopak the use of Harbor Department property for the operation of a marine liquid bulk terminal. Vopak currently occupies a total of 37.82 acres at Berths 187-191 in Wilmington. The Permit is for a term of 30 years, which commenced on August 30, 1993. The Permit requires that compensation be reset every five years. Compensation is comprised of annual land rent, subject to reset, and all applicable charges pursuant to Tariff No. 4.

Proposed Action: Staff requests Board approval of the Order resetting compensation under Permit No. 560 with Vopak. The proposed compensation is for the five-year period of August 30, 2018 through August 29, 2023, and is structured in three tiers:

1. For the period of August 30, 2018 through December 31, 2018, compensation will be adjusted by CPI as outlined in the Fifth Amendment, payable quarterly in advance, plus all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.
2. For the period of January 1, 2019 through August 29, 2019, compensation will be \$5,420,872.50 per year (\$1,355,218.13 per quarter), which is based on the waterfront land value of \$40 per square foot (s.f.), backland value of \$30/s.f., and subsurface of 50 percent discount of land value, payable in advance, plus all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.
3. For the period of August 30, 2019 through August 29, 2023, compensation will be adjusted annually by CPI as outlined in the Fifth Amendment, payable in advance, plus all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of this Order setting compensation under the Permit for the five-year period of August 30, 2018 through August 29, 2023 will increase guaranteed compensation starting in August 2018 (\$3,826,801 annually, plus CPI adjustments). The land rent will increase on January 1, 2019 to \$5,420,873 (an increase of \$1,594,071 per year), followed by annual CPI adjustments, effective every August 30th.

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Additionally, Vopak pays all applicable charges under Tariff No. 4 for use of its premises. For the most recent compensation year (2017), wharfage and dockage charges in excess of guaranteed compensation totaled approximately \$4,475,564. After accounting for CPI-adjusted guaranteed compensation of \$3,764,915, total compensation received was \$8,240,479 in the 2017 compensation year.

CITY ATTORNEY:

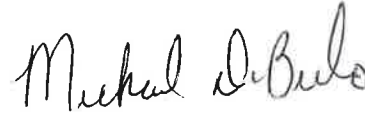
The proposed Order was prepared and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Order
2. Site Map

FIS Approval: 
CA Approval: 


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

EUGENE D. SEROKA
Executive Director

MJG:ER:HP:KK:raw
Author: Kevin Kim
BL736raw Vopak Comp Reset