



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 27, 2012

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE JOINT REVOCABLE PERMIT AMONG THE CITY OF LOS ANGELES HARBOR DEPARTMENT, PORT OF LONG BEACH, AND EQUILON ENTERPRISES, LLC DBA SHELL OIL PRODUCTS US - LAHD NO. 70070

SUMMARY:

Approve the proposed Joint Revocable Permit (JRP) among the City of Los Angeles Harbor Department (Harbor Department), the Port of Long Beach (POLB), and Equilon Enterprises, LLC doing business as Shell Oil Products US (Equilon) for the use and maintenance of a subsurface 8-inch jet fuel pipeline. The pipeline crosses underneath a portion of the jointly-owned Alameda Corridor right-of-way (ROW), located in the City of Carson between Sepulveda Boulevard and Lomita Boulevard. The nonexclusive pipeline right-of-way will allow Equilon to transport jet fuel to its ultimate destination, Los Angeles International Airport (LAX).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the proposed Joint Revocable Permit with the Equilon Enterprises, LLC doing business as Shell Oil Products US;
2. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Joint Revocable Permit; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background – From 1992 through 1995, the Harbor Department and POLB jointly purchased properties along Southern Pacific Railroad Company (SPRR), Union Pacific Railroad Company (former San Pedro Branch), and Atchison, Topeka and Santa Fe Railway Company ROW in the County of Los Angeles as part of the Alameda Corridor construction project. The railroad property in the SPRR ROW was acquired to serve as the main rail line and the railroad property in the former San Pedro Branch was acquired to serve as the alternative route for the Alameda Corridor. All railroad properties acquired are held by the Harbor Department and POLB as tenants in common, each holding an undivided 50 percent interest in the railroad properties.

Paragon Partners, Ltd. (the property management consultant for the jointly-owned railroad properties) was notified by Alameda Corridor Transportation Authority that Equilon had

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completed the installation of an 8-inch jet fuel pipeline in February 2011. This existing pipeline that crosses underneath a portion of the jointly-owned ROW was installed without authorization from the Harbor Department and POLB. According to Equilon, approval was acquired from Union Pacific Railroad (UPRR), the rail operator, on November 10, 2010, and the City of Carson, the local governmental entity having oversight of such rail. Equilon was apparently not aware nor advised by their third party consultation company, UPRR and/or the City of Carson, that approval from the Harbor Department and POLB was required as well. Equilon has reported that no jet fuel has been conveyed through the pipeline and is requesting approval from the Harbor Department and POLB through this Board action before it can do so.

The proposed JRP (Transmittal 1) was approved by POLB's Board at its meeting on March 26, 2012.

Terms and Conditions – The terms and conditions of the proposed JRP are based on the following:

Use: The use and maintenance of a subsurface 8-inch jet fuel pipeline (60 lineal feet).

Premises: The premises are located on a portion of the Alameda Corridor ROW, between Sepulveda Boulevard and Lomita Boulevard (Transmittal 2).

Term: Effective upon execution by the Executive Directors of the Harbor Department and POLB, and revocable upon 60 days written notice by any party.

Insurance: The JRP has language requiring that the Harbor Department and POLB be named as additional insureds under Equilon's insurance coverage, which includes pollution insurance.

Compensation: A one-time permit processing fee of \$2,500 total shall be paid to the Harbor Department and POLB to cover costs associated with the administration of this JRP (the Harbor Department and POLB will each receive 50 percent, or \$1,250). Thereafter, the annual rent will be \$1,000 total, which will be equally divided between the Harbor Department and POLB, each receiving \$500 annually.

Compensation for this type of entitlement is based on receiving a 10 percent rate of return on a land value of \$25.00 per square foot, discounted by 50 percent for subsurface use. Based on premises of 300 square feet of subsurface land, the annual rent would be \$375. However, the Harbor Department and POLB have established a minimum amount of \$1,000 per pipeline crossing, which will apply since the calculated permit rent is below the minimum threshold. In addition, since Equilon is unable to convey any product through the pipeline until the JRP is fully executed, Equilon has not been charged rent retroactively. Lastly, the compensation will be adjusted annually based on the Consumer Price Index.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a JRP with Equilon for the use and maintenance of an 8-inch jet fuel pipeline that crosses underneath a portion of the Alameda Corridor ROW. The construction and operation of the pipeline was analyzed in an Environmental Impact

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Report for the Smart Energy Transport System Project (State Clearinghouse No. 2007031007), which was certified by the Los Angeles City Council on August 2, 2011. As an activity involving the issuance of a permit for which the underlying project has been previously assessed pursuant to the California Environmental Quality Act (CEQA), the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Joint Revocable Permit will have no employment impact.

FINANCIAL IMPACT:

Approval of the proposed JRP will result in Equilon paying a one-time permit processing fee of \$2,500 to the Harbor Department and POLB, which the Harbor Department will receive half, or \$1,250. Thereafter, Equilon will pay the Harbor Department an annual rent of \$1,000, of which the Harbor Department will also receive half, or \$500. In addition, the proposed compensation will be adjusted annually based on the Consumer Price Index.

The proposed fixed land rent compensation conforms to the Board's adopted rate of return policy of 10 percent on land value of \$25.00 per square foot, discounted by 50 percent for subsurface use.

CITY ATTORNEY:

The proposed JRP has been approved as to form by the Office of the City Attorney.

TRANSMITTALS:

- 1. Joint Revocable Permit
- 2. Site Aerial Map

FIS Approval:  (initials)

CA Approval:  (initials)

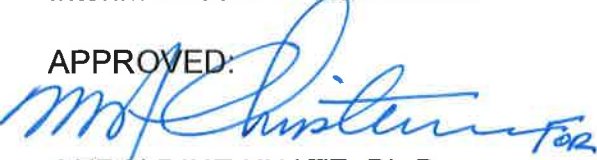


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