

DATE: JULY 21, 2015

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ – APPROVE THE THIRD AMENDMENT TO THE LEASE AGREEMENT FOR SITE 6B BETWEEN THE UNITED STATES OF AMERICA, DEPARTMENT OF THE NAVY AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT (ORDER NO. 4846)

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) and the United States of America, acting by and through the Department of the Navy (Navy), entered into a 50-year Reciprocal Lease Agreement in 1979, whereby the Harbor Department leased land to the Navy for a Naval & Marine Corps Reserve Center (Reserve Center). In exchange, the Navy leased land known as Site 6B to the Harbor Department for the operation of the Terminal Island Container Transfer Facility (TICTF).

The Third Amendment to Order No. 4846 is to reserve an easement and ownership of the Navy-owned fuel pipelines that transverse Site 6B to preserve the Navy's ownership right that would be otherwise conveyed to the Harbor Department, pursuant to the Second Amendment of the Lease Agreement.

The Harbor Department, subsequent to approval of the Third Amendment, will enter into a Quitclaim Deed with the United States of America, acting by and through the U.S. Department of Transportation Maritime Administration (MARAD), on behalf of the Navy, for the purpose of conveying Site 6B to the Harbor Department as surplus federal property at no cost under a port-related Public Benefit Conveyance (PBC).

RECOMMENDATION:

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

1. Approve the Third Amendment to the Lease Agreement (Order No. 4846) with the United States of America, Department of the Navy;
2. Direct the Board Secretary to transmit the Third Amendment to the City Council pursuant to Charter Section 606;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Third Amendment upon approval by City Council; and
4. Adopt Resolution No. _____.

SUBJECT: THIRD AMENDMENT TO NAVY SITE 6B LEASE AGREEMENT

DISCUSSION:

Background/Context – The Harbor Department and the United States of America, acting by and through the Navy, entered into a 50-year Reciprocal Lease Agreement (Navy's Agreement No. N6247479RPOOA47, approved by the Board through Order No. 4846 on September 22, 1979), whereby the Harbor Department leased 22.93 acres (Reserve Center, Transmittal 1) to the Navy. In exchange, the Navy leased 22.93 acres at Site 6B to the Harbor Department for the operation of the TICTF.

The Second Amendment to the Reciprocal Lease Agreement, executed on January 11, 2012, allowed the Navy to terminate its lease and return the land to the Harbor Department. Additionally, Paragraph 5 of the Reciprocal Lease Agreement required that when the title to Site 6B is conveyed to the Harbor Department under the PBC, such conveyance would also transfer ownership of all leasehold improvements, including the Navy pipelines.

The Navy has requested to reserve a perpetual and non-exclusive easement for the fuel pipelines when Site 6B is conveyed to the Harbor Department. Therefore, this Third Amendment (Transmittal 2) to the Lease Agreement is to reserve an easement for the Navy and the ownership of the two 18-inch pipelines.

Subsequent to the Third Amendment, the Harbor Department will enter into a Quitclaim Deed with MARAD, on behalf of the Navy, for the purpose of transferring Site 6B to the Harbor Department as surplus federal property in a no-cost, port-related PBC.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Third Amendment to Order No. 4846 to allow the Navy to reserve a perpetual and non-exclusive easement for and ownership of fuel pipelines within Site 6B when the site is conveyed back to the Harbor Department. As an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1 (14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment effect.

FINANCIAL IMPACT:

Subsequent to the Third Amendment, the Harbor Department will enter into a Quitclaim Deed with MARAD, on behalf of the Navy, to transfer Site 6B to the Harbor Department. The value of Site 6B is estimated to be \$32,000,000, and the value of the easement is nominal (less than five percent, or \$1,600,000) as the easement will have almost no impact on the current use as TICTF. Site 6B is currently leased (Yusen Terminals Inc. and Everport Terminal Services, Inc.), and the Harbor Department does not incur any maintenance costs. All maintenance costs of operating the pipelines are borne by the Navy.

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PAGE 3 OF 3

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CITY ATTORNEY:

The Office of the City Attorney has renewed and approved the Third Amendment as to form and legality.

TRANSMITTALS:


1. Site Map
2. Third Amendment

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


JACK C. HEDGE
Director of Cargo & Industrial Real Estate


FOR MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

EDS:MD:JH:RG:KK:mmm
Author: Kevin Kim
BL533mm Navy Third Amendment