



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: APRIL 18, 2019

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ APPROVAL OF
PERMIT NO. 934 WITH CARDINAL PIPELINE L.P, A CALIFORNIA
LIMITED PARTNERSHIP**

SUMMARY:

Staff requests approval of Permit No. 934 (P934) with Cardinal Pipeline L.P. (Cardinal), a California limited partnership, for the maintenance and operation of pipelines and related improvements utilized for the transportation of crude oil. Currently, annual rent of \$4,718.00 is paid on the premises. Under P934, annual rent will increase by \$17,756.50 to \$22,474.50, with annual adjustments based on the Consumer Price Index, All Urban Consumers, Los Angeles All Items (CPI).

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. Approve Permit No. 934 with Cardinal Pipeline L.P.;
3. Direct the Board Secretary to transmit Permit No. 934 to the City Council for approval pursuant to Charter Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 934 upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – Under Permit No. 735, dated August 10, 1993, Texaco Trading and Transportation, Inc. was granted occupancy of the premises for the construction, operation, and maintenance of subsurface pipelines for transportation of petroleum products. Through various assignments, Cardinal is now successor in interest of the premises. P934 will supersede Permit No. 735 (P735).

During negotiations for P934, an oil spill known as the Youngstown Lateral Spill occurred which halted negotiations until the resulting litigation was resolved.

SUBJECT: PERMIT NO. 934 WITH CARDINAL PIPELINE L.P. A CALIFORNIA LIMITED

Below is a summary of permit terms.

General Terms and Conditions:

Use: Maintenance and operation of existing subsurface pipelines and related products identified as THUMS 8-inch pipeline and the 8-inch Seal Beach Main Line for the purpose of transporting crude oil to the refinery. No expansion of currently permitted use or adding of pipelines is contemplated.

Premises: 14,983 square feet of subsurface land as shown on the site maps (Transmittal 1).

Term: 20 years

Compensation: The current rent for the subject under P375 premises is \$4,718.00 per year. The new rate under P934 of \$15.00 per square foot per year is based on land value being \$30 per square foot and the Board's required rate of return of 10 percent, with a subsurface rate discount of 50 percent. The initial rent payable of \$22,474.50 per year, with an annual adjustment based on CPI.

The rent increase is primarily due to the 83 percent increase in square footage as a result of splitting the premises away from those in the previous P735 and increase to market land value of \$30 per square foot.

Drawing # Parcel #	Proposed Total Sq. Ft	Purposed Land Value	Expected Return	Subsurface Discount	Proposed Annual Amount	Current Annual Amount	Current Sq. Ft
Map # 45241-2							
Parcel 1	1,268	\$ 30.00	10%	50%	\$ 1,902.00	\$ 412	717
Parcel 2	991	\$ 30.00	10%	50%	\$ 1,486.50	\$ 323	561
Map # 5-4864-2							
Parcel 1	2,640	\$ 30.00	10%	50%	\$ 3,960.00	\$ 555	966
Parcel 2	370	\$ 30.00	10%	50%	\$ 555.00	\$ 78	136
Map # 2-2309							
Parcel 1	9,714	\$ 30.00	10%	50%	\$ 14,571.00	\$ 3,350	5,826
Total Sq. ft	14,983			Proposed Compensation	\$ 22,474.50	\$ 4,718	

Maintenance and Repair: The Tenant is responsible for maintaining the premises and all improvements of any kind in the premises, at its sole cost and expense.

Insurance: Consists of all standard insurance requirements, plus \$10,000,000 Environmental Impairment Liability Insurance.

SUBJECT: PERMIT NO. 934 WITH CARDINAL PIPELINE L.P. A CALIFORNIA LIMITED

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:

Approval of P934 with Cardinal will generate rent of \$22,474.50 per year, with annual adjustments based on CPI. Currently, annual rent of \$4,718.00 is generated by the subsurface pipeline premises, and the proposed Year 1 rent of \$22,474.50 would represent an increase of \$17,756.50 relative to the annual rent currently received by the City of Los Angeles Harbor Department.

CITY ATTORNEY:

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

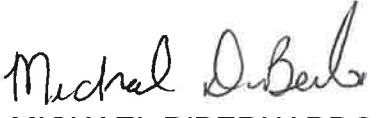
TRANSMITTALS:

- 1. Permit No 934
- 2. Site Map



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

FIS Approval: mys
CA Approval: gmc



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED



EUGENE D. SEROKA
Executive Director