



THE PORT
OF LOS ANGELES
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 16, 2018

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER APPROVING
COMPENSATION RESET UNDER PERMIT NO. 708 WITH KINDER
MORGAN TANK STORAGE TERMINALS, LLC**

SUMMARY:

Staff requests approval of the compensation reset under Permit No. 708 (P708) with Kinder Morgan Tank Storage Terminals, LLC (Kinder) for the five-year period of April 14, 2018, to April 13, 2023. P708 grants Kinder property at Berths 118-119 for the construction, operation, modification, and maintenance of a marine hydrocarbon terminal and related uses. P708 has a 35-year term, effective April 14, 1988, through April 13, 2023. The current five-year compensation period began on April 14, 2013, and ends on April 13, 2018. Kinder is a tenant in good standing.

As required by P708 and the Los Angeles City Charter Section 607(b), land and water rental compensation for Kinder must be adjusted for the five-year period of April 14, 2018, through April 13, 2023. The proposed compensation is \$1,750,602, an increase of \$492,044.72 per year. All remaining terms and conditions of P708 shall remain the same. Current compensation is \$1,258,557.28 per year or \$314,639.32 per quarter, based on the Second Amendment approved on August 23, 2017, for the period of April 14, 2017 through April 13, 2018.

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 under Permit No. 708 with Kinder Morgan Tank Storage Terminals, LLC for the five-year period commencing April 14, 2018, and ending April 13, 2023;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 708; and
4. Adopt Resolution No. _____ Order No. _____.

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DISCUSSION:

Background - GATX Tank Storage Terminals Corporation (GATX) was originally granted a 25-year term permit, commencing April 14, 1988. Kinder subsequently succeeded to the interests of GATX in P708.

P708 grants Kinder the use of Harbor Department property at Berths 118-119 for the operation of a marine liquid bulk terminal. The permit premises consist of 370,145 square feet (SF) of surface land, 134,286 SF of subsurface land, and approximately 81,962 SF of water frontage and water surface. P708 has a 35-year term, effective April 14, 1988, through April 13, 2023.

P708 requires that land rent compensation be reset every five years. It is now necessary to reset compensation for the next five-year period of April 14, 2018, to April 13, 2023 (Transmittal 1) for the property at Berths 118-119 (Transmittal 2). The proposed annual rent is proposed to be \$1,750,602.00, or \$437,650.50 per quarter, plus all tolls and charges pursuant to Tariff No. 4. The proposed land rent is based on a land value of \$40.00/SF and the Board policy of 10 percent rate of return. This compensation reset equates to a 39 percent increase from the current land rent and is reflective of current market conditions. In addition to land rent, the tenant paid \$1,141,603 in wharfage and dockage charges in Calendar Year 2016. The proposed land rent plus tariff changes equate to approximately \$340,365 annually per acre of land.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under P708 with Kinder. The proposed Order is solely administrative and will not result in changes in operation. As such, the Director of Environmental Management has determined that the proposed project is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of this proposed Order would reset Kinder's fixed compensation under P708 to \$437,650.50 per quarter and \$1,750,602.00 annually for the period commencing April 14, 2018, through April 13, 2023. This represents an increase of \$492,044.72 per year over the previous compensation period of April 14, 2013, through April 13, 2018. The tenant would also be subject to Tariff No. 4 tolls and charges and any adjustment hereinafter. During Fiscal Year 2016/2017 Kinder paid \$578,804.00 in wharfage charges.

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CITY ATTORNEY:

The proposed Order has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:


1. Order
2. Site Map


MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

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


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

MG:ER:HP:KK:mnk
Author: Kevin Kim
BL709mnk Kinder Comp Reset