



**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. 634 WITH
SHELL OIL COMPANY**

SUMMARY:

Staff requests approval of the compensation reset under Permit No. 634 (P634) with Shell Oil Company (Shell) for the five-year period of February 12, 2018, to February 11, 2023. P634 grants Shell property at Berths 167-169 for the construction, operation, modification, and maintenance of a marine hydrocarbon terminal and related uses. Permit No. 634 has a 35-year term, effective February 12, 1988, through February 11, 2023. The current five-year compensation period began on February 12, 2013 and ends on February 11, 2018. Shell is a tenant in good standing.

As required by P634 and the Los Angeles City Charter Section 607(b), proposed rental compensation for Shell must be adjusted for the five-year period of February 12, 2018, through February 11, 2023. The proposed compensation is \$1,589,160, an increase of \$437,019 per year. All remaining terms and conditions of P634 shall remain the same. Current compensation is \$1,152,141 per year or \$288,035.25 per quarter, based on the Order No. 13-7126 approved on May 2, 2013, for the period of February 12, 2018, through February 11, 2023.

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. 634 with Shell Oil Company for the five-year period of February 12, 2018, through February 11, 2023;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 634; and
4. Adopt Resolution No. _____ and Order No. _____.

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DISCUSSION:

Background – P634 grants Shell use of City of Los Angeles Harbor Department (Harbor Department) property at Berths 167-169 for the operation of a marine liquid bulk terminal. The permit premises consist of 397,290 square feet (SF) of surface land and approximately 129,997 SF water surface. P634 has a 35-year term, effective February 12, 1988, through February 11, 2023.

P634 requires that compensation be reset every five years. It is now necessary to reset compensation for the next five-year period of February 12, 2018, to February 11, 2023 (Transmittal 1) for the property at Berths 167-169 (Transmittal 2). The proposed annual rent is proposed to be \$1,589,160, or \$397,290 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 38 percent increase from the current land rent and is reflective of current market conditions. In addition to land rent, the tenant paid \$2,391,850 in wharfage and dockage charges in Calendar Year 2016. The proposed land rent plus tariff changes equate to approximately \$436,489 annually per acre at land.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under P634 with Shell. 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:

The proposed Permit compensation reset would ensure that the Harbor Department would receive an increase in the current fixed rental compensation in effect through February 11, 2023. The proposed Order would reset Shell's compensation under P634 to \$397,290 per quarter and \$1,589,160 per year. The tenant would also be subject to Tariff No. 4 tolls and charges and any adjustment hereinafter. During Fiscal Year 2016/2017 Shell paid \$1,994,343 in wharfage charges.

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CITY ATTORNEY:

The Office of the City Attorney prepared and has approved the subject Order as to form and legality.


TRANSMITTALS:

1. Order
2. Site Map



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

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



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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BL710mnk Shell Comp Reset