



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

DATE: SEPTEMBER 30, 2020

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF COST REIMBURSEMENT AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PBF ENERGY WESTERN REGION, LLC

SUMMARY:

Staff requests approval of the Cost Reimbursement Agreement (Agreement) with PBF Energy Western Region LLC (PBF) to reimburse the City of Los Angeles Harbor Department (Harbor Department) for costs associated with pipeline removal at the San Pedro Public Market (SPPM) development. The Harbor Department, through its contractors, will remove portions of PBF's abandoned pipelines that were ordered removed by the Board of Harbor Commissioners on September 20, 2018 (Order No. 18-7248). The proposed Agreement is for a one-time payment of \$1,150,000 by PBF.

PBF currently occupies Harbor Department Property under Permit No. 936.

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 California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Agreement with PBF Energy Western Region LLC to reimburse the Harbor Department \$1,150,000 for the cost to remove pipelines in conflict with the Harbor Boulevard to Miner Street Improvements project;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Agreement; and
4. Adopt Resolution No. _____.

SUBJECT: PBF COST REIMBURSEMENT AGREEMENT

DISCUSSION:

Background - At its meeting held on September 20, 2018, the Board approved Order No. 18-7248 directing PBF to remove inactive pipelines interfering with the SPPM development (Transmittal 1).

PBF has completed the first phase of the pipeline removal. However, due to timing and difficulty of removing the remaining pipelines by PBF, staff determined that it would be in the best interest of the Harbor Department to incorporate the removal of PBF's pipelines into the larger Harbor Boulevard to Miner Street Improvements Project (Street Improvements Project). Staff and PBF tentatively agreed for the Harbor Department to remove the pipelines and for PBF to reimburse the Harbor Department \$1,150,000 (Transmittal 2). The Harbor Department may seek additional reimbursement if the removal cost is increased due to discovery of undisclosed conditions of the pipelines (i.e. oil residues, concrete filled) that causes the actual pipeline removal cost to increase. Pipelines are expected to be in a clean, purged state without any oil residues or concrete filler. PBF will retain responsibility for any soil contamination that may have originated from their pipelines that is not removed as part of this Agreement.

The estimated cost is approximately \$1,150,000 to remove the 36-inch oil pipeline as a PBF stand-alone project. The estimate accounts for the cost of asbestos removal, potential adverse condition of the soil, which may be sandy or contain large mixed debris that could require 20-foot wide or wider trenching instead of standard three to five-foot width, and potential discovery of contaminated soil and its removal. The benefit of the Harbor Department incorporating the pipeline removal into the larger project is the elimination of the possibility of the planned Street Improvements Project being delayed by PBF and traffic disruption, including the closure of Sampson Way, during PBF's pipeline removal.

ENVIRONMENTAL ASSESSMENT:

The proposed action is for approval of the Cost Reimbursement Agreement with PBF to reimburse the Harbor Department for costs associated with pipeline removal at the SPPM development, which is an administrative activity. Therefore, 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 the proposed Agreement will require PBF to reimburse the Harbor Department \$1,150,000 for the removal of the affected pipelines. The Harbor Department will bill PBF one-time upon execution of the Agreement. The collected funds will be deposited into Harbor Department's general fund. PBF did not pay any rent for the abandoned pipeline's right-of-way; therefore, no revenue will be lost by the removal.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Cost Reimbursement Agreement as to form and legality.

TRANSMITTALS:

1. Map
2. Cost Reimbursement Agreement

FIS Approval: MB
CA Approval: 8

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