



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: AUGUST 21, 2024**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE ORDER  
RESETTING COMPENSATION UNDER PERMIT NO. 306 WITH  
ULTRAMAR INC. (VALERO)**

**SUMMARY:**

Staff requests approval of the Order resetting compensation under Permit No. 306 with Ultramar Inc., a wholly owned subsidiary of Valero Energy Corporation, (collectively referred to as Valero), which is currently on month-to-month holdover status. The proposed compensation reset is for the five-year period commencing February 1, 2024, for the use of Berths 163-164 in Wilmington, as a marine oil terminal.

Under the proposed action, Valero's minimum annual land rent will increase by \$393,730, or 20.29 percent, from \$1,940,351 to \$2,334,081 effective February 1, 2024. In addition to the annual minimum land rent, Valero will continue to be financially responsible for payment of all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.

The applicable five-year compensation reset was due on February 1, 2024; consequently, Valero has agreed and will be assessed the compensation reset retroactively to February 1, 2024.

**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. 306 with Ultramar Inc.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 306; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

**DISCUSSION:**

**Background:** Valero was granted a 25-year term permit, commencing January 2, 1976, and expiring January 1, 2001. Permit No. 306 allows Valero the use of Harbor

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Department property for the operation of a marine liquid bulk terminal. Valero currently occupies a total of 13.08 acres at Berths 164 in Wilmington (Transmittal 1). Permit No. 306 is currently on holdover status pending the issuance of a new permit that is compliant with the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS). Valero’s permit has been on an affirmative holdover since March 2001 due to ongoing business negotiation issues related to various adjacent projects and MOTEMS compliance.

Permit No. 306 requires that compensation be reset every five years. Staff and Valero have come to an agreement for the five-year compensation reset (Transmittal 2), and Valero has agreed to the compensation reset effective retroactive to February 1, 2024.

Concurrently, staff is negotiating a new joint-permit with a term of 30 years with NuStar and Valero Energy to operate their respective marine oil terminals as a joint project. The new permit is expected to be presented to the Board for consideration by the fourth quarter of 2024. If the new permit is approved, Permit No. 306 will be terminated.

Proposed Action: Staff requests Board approval of the Order resetting compensation under Permit No. 306 with Valero. The proposed compensation reset is described below.

	<b>Existing</b>	<b>Proposed</b>
Effective Date/ Applicable Period	February 1, 2019 – January 31, 2024	February 1, 2024 – January 31, 2029
Rental Rate	\$41.60/square foot waterfront land \$31.20/square foot backland 50% discount of applicable land value for subsurface land rights	\$50/square foot waterfront land \$40/square foot backland 50% rate discount of applicable land value for subsurface land rights
Effective Annual Land Rent	\$1,940,351	\$2,334,081  Payable quarterly in an amount of \$583,520.13
Annual Land Rent Increases	None	None  Please note, staff is currently negotiating a new 30-yr. successor permit which will include annual CPI adjustments.
Wharfage and Dockage Fees	Pursuant to Tariff No.4	No change

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The above proposed rates are consistent with other similar tenant agreements and represent current fair market values for industrial land real estate transactions in the area.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an Order resetting compensation with Valero under Permit No. 306, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action 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 Order will reset compensation under Permit No. 306 with Valero for the five-year period commencing February 1, 2024. Under the proposed action, Valero’s minimum annual land rent will increase by \$393,730, or 20.29 percent, from \$1,940,351 to \$2,334,081 effective February 1, 2024.

In addition to the above identified compensation, Valero will continue to pay all applicable charges under Tariff No. 4 for the use of its assigned premises. In the compensation year 2023, Valero generated \$304,994 in dockage revenues and \$761,939 in wharfage revenues.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**

- 1. Site Map
- 2. Order – Permit No. 306

FIS Approval: JS  
 CA Approval: SO

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 MICHAEL J. GALVIN  
 Director of Waterfront & Commercial Real Estate

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APPROVED:

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