



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

Board of Harbor Commissioners

**DATE: APRIL 18, 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 liquid bulk terminal and related uses. Permit No. 634 has a 35-year term, effective February 12, 1988, through February 11, 2023. Compensation is comprised of fixed land rent, subject to reset, and applicable charges pursuant to Tariff No. 4. The current five-year compensation period began on February 12, 2013 and ended on February 11, 2018.

As required by P634 and Los Angeles City Charter Section 607(b), compensation for Shell must be adjusted for the five-year period of February 12, 2018, through February 11, 2023. The proposed annual fixed land rent is \$1,589,160, an increase of 38% from the existing compensation of \$1,152,140 per year. An amendment to include Consumer Price Index (CPI) adjustments is being presented to the Board of Harbor Commissioners concurrently.

**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 liquid bulk terminal. The permit premises consist of 397,290 square feet (SF) of surface land and approximately 129,997 SF of water surface. P634 has a 35-year term, effective February 12, 1988, through February 11, 2023.

As required by P634 and Los Angeles City Charter Section 607(b), compensation shall 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 fixed land rent is proposed to be \$1,589,160, 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 \$2,068,421.44 in wharfage charges in Calendar Year 2017. The proposed land rent plus expected tariff charges equate to total compensation of approximately \$401,007 annually per acre of 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 annual fixed rental compensation in effect through February 11, 2023. The proposed Order would reset Shell's annual fixed rent under P634 to \$1,589,160 per year. The tenant would also be subject to Tariff No. 4 tolls, charges, and any future annual CPI adjustments. During calendar year 2017, Shell paid \$2,068,421.44 in wharfage charges.

DATE: APRIL 18, 2018

PAGE 3 OF 3

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**CITY ATTORNEY:**


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

**TRANSMITTALS:**

1. Order
2. Site Map

FIS Approval:   
CA Approval: 

  
MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

 FOR  
EUGENE D. SEROKA  
Executive Director

MG:ER:HP:KK:fo  
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BL710mnk Shell Comp Reset