



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: AUGUST 22, 2017**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ORDER APPROVING  
COMPENSATION RESET UNDER PERMIT NO. 238 WITH EQUILON  
ENTERPRISES, LLC DBA SHELL OIL PRODUCTS US**

**SUMMARY:**

Staff requests approval of the compensation reset under Permit No. 238 with Equilon Enterprises, LLC dba Shell Oil Products US (Equilon) for the final five-year period of May 18, 2017 to May 17, 2022. Permit No. 238 grants Equilon the use of 50,965 square feet of City of Los Angeles Harbor Department (Harbor Department) land located on Fries Avenue, between Falcon and Pier A Streets, on Mormon Island for maintenance and operation of subsurface petroleum pipelines. Permit No. 238 has a 50-year term from May 18, 1972 through May 17, 2022, with a requirement for compensation reset every five years.

Effective May 18, 2017, annual compensation for the first year of the reset period will be \$76,447, with subsequent annual Consumer Price Index (CPI) adjustments.

**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 exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines;
2. Approve the Order resetting compensation under Permit No. 238 with Equilon Enterprises, LLC dba Shell Oil Products US for the five-year period of May 18, 2017 through May 17, 2022;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 283; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

**SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 238 WITH EQUILON ENTERPRISES, LLC DBA SHELL OIL PRODUCTS**

**DISCUSSION:**

Background - Permit No. 238 has a 50-year term ending May 17, 2022 and was originally granted to Shell Oil Company, a Delaware corporation on May 18, 1972. The premises are used as a right-of-way for the operation and maintenance of pipelines, including the necessary pipes, gate valves, and appurtenances for the purpose of transporting petroleum products and compounds. The premises consist of 50,965 square feet of right-of-way for subsurface petroleum pipelines located on Fries Avenue, between Falcon and Pier A Streets, on Mormon Island.

On June 21, 2006, the Board approved Order No. 6876 for the transfer of ownership from Shell Oil Company to Equilon. Pursuant to Section 2-A of Permit 238, the resetting of compensation is required every five years. The current land value is \$30.00 per square feet with a 10 percent rate of return and a 50 percent discount for subsurface use. The rate is based on the current rental rate at the marine oil terminal.

Equilon currently pays an annual fee of \$73,899.00. The new proposed rent compensation is \$76,447.50, effective May 18, 2017, an increase of \$2,548.50 (3.4 %).

<u>Total Sq. ft.</u>	<u>Land Value</u>	<u>Return</u>	<u>Subsurface Discount</u>	<u>Yearly Amount</u>
50,965	\$ 29.00	10%	50%	\$ 73,899.00

Although the permit does not have a provision for an annual CPI adjustment, Harbor Department staff was able to negotiate an annual step increase which utilizes the Consumer Price Index, Los Angeles-Riverside Schedule, with a zero floor and no cap for the next five years.

Approval of the proposed compensation reset will result in Equilon paying the Harbor Department annual rent of \$76,447.50.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a compensation reset under Permit No. 238 with Equilon. As an activity involving the amendment of a permit with negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA under Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

DATE: AUGUST 22, 2017

PAGE 3 OF 3

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 238 WITH EQUILON ENTERPRISES, LLC DBA SHELL OIL PRODUCTS

**FINANCIAL IMPACT:**

The new annual rent based on the Harbor Department's 10 percent rate of return goal on land and is calculated as follows:

<u>Total Sq. ft.</u>	<u>Land Value</u>	<u>Return</u>	<u>Subsurface Discount</u>	<u>Yearly Amount</u>
50,965	\$ 30.00	10%	50%	\$ 76,447.50
			<b>Proposed Year 1 Compensation</b>	<b>\$ 76,447.50</b>

Equilon will be required to make a one-time retroactive payment for the difference between the current rent and the proposed rent within 30 days after the effective date of the Order (Transmittal 1) for the premises under Permit No. 238 (Transmittal 2).

**CITY ATTORNEY:**

The Order resetting compensation under Permit No. 238 has been approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

1. Order
2. Site Map

FIS Approval: *MB* (initials)  
CA Approval: *JMC* (initials)

*for* JACK C. HEDGE  
Director of Cargo & Industrial Real Estate

*Michael DiBernardo*  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

*Mark Bleavin*  
EUGENE D. SEROKA *FOR*  
Executive Director

ES:MD:JH:PA:EPP:raw  
Author: Elsa Paragas  
BL686raw Equilon Comp Reset