



THE PORT
OF LOS ANGELES

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 27, 2024

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ APPROVE ORDERS
RESETTING COMPENSATION UNDER PERMIT NOS. 712 AND 713
WITH SHORE TERMINALS LLC**

SUMMARY:

Staff requests approval of the Orders resetting compensation under Permit Nos. 712 and 713 with Shore Terminals LLC, a wholly owned subsidiary of NuStar Energy L.P. (collectively referred to as "NuStar") which are currently in month-to-month holdover status. The proposed compensation reset is for the five-year period of June 25, 2024 through June 24, 2029.

Under the proposed compensation reset Orders, the annual minimum land rent will be adjusted by \$326,448, or 20.19 percent, from \$1,616,690 to \$1,943,138 effective June 25, 2024. In addition to the annual minimum land rent, NuStar will continue to pay all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.

The applicable five-year compensation reset was due on June 25, 2024; consequently, NuStar has agreed and will be assessed the compensation reset retroactively to June 25, 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 Guideline;
2. Approve the Orders resetting compensation under Permit Nos. 712 and 713 with Shore Terminals LLC;

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- 3. Authorize the Board Secretary to attest to the Orders resetting compensation under Permit Nos. 712 and 713; and
- 4. Adopt Resolution No. _____ and Order Nos. _____.

DISCUSSION:

Background: NuStar was granted two 20-year term permits, commencing June 25, 1994, and expiring June 24, 2014. Permit Nos. 712 and 713 were placed on holdover status on June 25, 2014. Permits Nos. 712 and 713 grant NuStar the use of Harbor Department property at Berths 163-164 for the operation of a marine liquid bulk terminal. The permits premises consist of 9.18 acres of land at Berth 163 in Wilmington (Transmittal 1). Permit Nos. 712 and 713 are currently on holdover status pending the issuance of a new permit that is compliant with the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS). NuStar's permit has been on an affirmative holdover since June 25, 2014 due to ongoing business negotiation issues related to various adjacent projects and MOTEMS compliance.

Permit Nos. 712 and 713 require that compensation be reset every five years. Staff and NuStar have come to an agreement for the five-year compensation resets (Transmittals 2 and 3). NuStar has agreed to the compensation resets effective retroactive to June 25, 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. Please note that in May 2024, NuStar and Sunoco merged. No formal ownership change request has been received. However, based on preliminary information received NuStar is expected to survive the transaction as a subsidiary of Sunoco.

Proposed Action: Staff requests Board approval of the Orders resetting compensation under Permit Nos. 712 and 713 with NuStar. The proposed compensation reset is described below.

	Existing	Proposed
Effective Date/ Applicable Period	June 25, 2019 –June 24, 2024	June 25, 2024–June 24, 2029
Rental Rate	\$41.60/square foot waterfront land 50 percent discount of applicable land value for subsurface land rights	\$50/square foot waterfront land 50 percent rate discount of applicable land value for subsurface land rights

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Effective Annual Land Rent	\$1,616,690	\$1,943,138 Payable quarterly in an amount of \$485,784
Annual Land Rent Increases	None	None Please note, Staff is currently negotiating a new 30-year successor permit which is anticipated to include annual CPI adjustments.
Wharfage and Dockage Fees	Pursuant to Tariff No.4	No change

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 NuStar under Permit Nos. 712 and 713, 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 Lons Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Orders will reset compensation under Permit Nos. 712 and 713 with NuStar for the five-year period of June 25, 2024 through June 24, 2029. Under the proposed compensation reset Orders, the annual minimum land rent will be adjusted by \$326,448, or 20.19 percent, from \$1,616,690 to \$1,943,138 effective June 25, 2024.

In addition to the above identified compensation, NuStar will continue to pay all applicable charges under Tariff No. 4 for the use of its assigned premises. In the compensation year 2023, NuStar generated \$113,666 in dockage revenues and \$449,489 in wharfage revenues.

CITY ATTORNEY:

The proposed Orders were reviewed and approved as to form and legality by the Office of the City Attorney.


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TRANSMITTALS:

1. Site Map
2. Order – Permit No. 712
3. Order – Permit No. 713

FIS Approval: 
CA Approval: 

Michael J. Galvin
MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

Michael DiBernardo
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APPROVED:

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BL1052jt Shore NuStar Comp Reset 2024