



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

DATE: AUGUST 29, 2024

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ APPROVE ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 708 WITH KINDER MORGAN
TANK STORAGE TERMINALS, LLC**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 708 granted to Kinder Morgan Tank Storage Terminals, LLC (Kinder), formerly GATX Tank Storage Terminals Corporation (GATX), for the use of 13.46 acres of Los Angeles Harbor Department (Harbor Department) land and wharf located at Berths 118-119. The proposed compensation reset is for the five-year period of April 14, 2023, through April 13, 2028.

Under the proposed compensation reset Order, the annual minimum land rent will be adjusted commencing April 14, 2023, through April 13, 2028, to \$2,188,252.50 (payable quarterly in an amount of \$547,063.13). The annual minimum land rent is based on waterfront land value of \$50.00/sf with a 10 percent rate of return based on the Harbor Department's rate of return policy for unimproved land. Additionally, a 50 percent discount for subsurface lands is applied to any subsurface parcels. In addition to the annual minimum land rent, Kinder 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 February 1, 2024, consequently, Kinder has agreed and will be assessed the compensation reset retroactively to April 14, 2023.

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. 708 with Kinder Morgan Tank Storage Terminals, LLC;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 708; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

SUBJECT: ORDER RESETTING COMPENSATION - PERMIT NO. 708

Background: GATX was originally granted a 25-year term permit, commencing April 14, 1988, and expiring April 13, 2013. Kinder subsequently succeeded the interests of GATX in Permit No. 708. Permit No. 708 allows Kinder the use of Harbor Department property for the operation of a marine liquid bulk terminal. Kinder currently occupies a total of 13.46 acres at Berths 118-119 in Wilmington (Transmittal 1).

Permit No. 708 requires that compensation be reset every five years. Staff and Kinder have come to an agreement for the five-year compensation reset (Transmittal 2). Kinder has agreed to the compensation reset effective retroactive to April 14, 2023. Kinder's annual CPI adjustment will be retroactive to April 14, 2024.

Staff is working with Kinder on a proposed five-year extension that will be presented to the Board under a separate action in the coming months to allow Kinder to potentially relocate to another Berth within the Port and continue its operations.

Proposed Action: Staff requests Board approval of the Order resetting compensation under Permit No. 708 with Kinder. The proposed compensation reset is described below.

	Existing	Proposed
Effective Date/ Applicable Period	April 14, 2018 – April 13, 2023	April 14, 2023 – April 13, 2028
Rental Rate	\$40.00/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
Effective Annual Land Rent	\$2,115,449	\$2,188,252.50 (\$72,804 or a 3.44% increase) Payable quarterly in an amount of \$547,063.13
Annual Land Rent Increases	CPI effective April 14 th of each year	No change
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 an Order to reset compensation under Permit No. 708 with Kinder. As an administrative activity, the Director of Environmental Management has

DATE: AUGUST 29, 2024

PAGE 3 OF 3

SUBJECT: ORDER RESETTING COMPENSATION - PERMIT NO. 708

determined that the proposed action is 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. 708 with Kinder for the five-year period of April 14, 2023, through April 13, 2028. Under the proposed compensation reset Order, the annual minimum land rent will be adjusted by \$72,804, or 3.44 percent, from \$2,115,449 to \$2,188,252.50 effective April 14, 2023.

In addition to the above identified compensation, Kinder will continue to pay all applicable charges under Tariff No. 4 for the use of its assigned premises. In the compensation year 2023, Kinder generated \$243,095 in dockage revenues and \$650,662 in wharfage revenues.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Site Map
2. Order-Permit No. 708

FIS Approval:  (initials)
CA Approval:  (initials)

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

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for
EUGENE D. SEROKA
Executive Director

MG:EP:KK:fo
Author: Kevin Kim
BL1053 Kinder Morgan Comp Reset 2023