



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 14, 2017

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF MASTER JOINT REVOCABLE PERMIT NO. 16-20 AMONG THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PORT OF LONG BEACH AS JOINT OWNERS, AND PETRO-DIAMOND TERMINAL COMPANY

SUMMARY:

Staff requests approval of Master Joint Revocable Permit (MJRP) No. 16-20 between Petro-Diamond Terminal Company (Petro-Diamond), a California Corporation, and the City of Los Angeles Harbor Department (Harbor Department) and Port of Long Beach (POLB), as joint property owners, for a crossing to allow Petro-Diamond to install, operate and maintain one new petroleum products pipeline.

The MJRP will replace outdated agreements and allow pipelines to be added or removed through an amendment that would solely require the approval of the Executive Directors of the Harbor Department and POLB. In addition, the MJRP will revise permit terms and provisions to reflect current standards, document existing operated facilities for future reference, and adjust compensation.

Approval of the MJRP will result in Petro-Diamond paying the minimum annual permit fee of \$2,000, including an annual Consumer Price Index (CPI) escalator. Petro-Diamond will be responsible for the maintenance of the property.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines Public Resources Code Section 21080.21(a) as determined by the Director of Environmental Management;
2. Approve Master Joint Revocable Permit No. 16-20 with Petro-Diamond Terminal Company;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Master Joint Revocable Permit No. 16-20; and
4. Adopt Resolution No. _____.

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WITH PETRO-DIAMOND TERMINAL COMPANY**

DISCUSSION:

Background – The property is located along the former Southern Pacific Railroad (SPRR) and Union Pacific Railroad (UPRR) right-of-ways (ROW) within the County of Los Angeles. The SPRR ROW was acquired to serve as the main rail line for the Alameda Corridor. The UPRR ROW was acquired to serve as a possible alternative route within the corridor. The railroad properties are held by the Harbor Department and POLB as tenants in common, with each holding an undivided 50 percent interest in the property. In addition, the Harbor Department and POLB became successors-in-interest to all railroad agreements, leases, and licenses, related to the acquired railroad ROW. Many of these entitlements have outdated language, some of which date back to the 1920's. The MJRP will replace these outdated agreements.

MJRP Terms and Conditions – The general terms and conditions of the proposed MJRP (Transmittal 1) are as follows:

Use: The MJRP allows for the subsurface rights use and access of the premises to install a 12-inch diameter steel petroleum products pipeline on the joint property.

Premises: The premises are comprised of approximately 312 square feet of property upon which is installed a 12-inch steel petroleum products pipeline in a 22-inch High Density Polyethylene casing, as depicted in Exhibit A and Exhibit B-1 of the MJRP.

Compensation: Petro-Diamond will pay the minimum annual compensation of \$2,000 for the use of the premises. The Harbor Department will receive \$1,000 (50 percent of the permit fee).

Term: The MJRP will be effective upon execution by both the Harbor Department and POLB and revocable upon 60 days' written notice by either.

Insurance: The MJRP requires that the Harbor Department and POLB be named as additional insured parties under Petro-Diamond's insurance coverage. In addition, Petro-Diamond shall indemnify and hold harmless the Harbor Department and POLB.

POLB is simultaneously pursuing approval of the Petro-Diamond MJRP through its Board of Commissioners.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an MJRP with Petro-Diamond and POLB to install, operate, and maintain a 12-inch steel petroleum products pipeline. The MJRP also allows for pipelines to be added or removed through an amendment that would solely require the approval and execution by both Executive Directors of the Harbor Department and POLB. However, this action does not constitute approval to construct or operate any pipelines other than the 12-inch pipeline described herein. Therefore, as an administrative activity and an activity involving installation of a new pipeline of less

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than one mile in length within a public right-of-way, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the City CEQA Guidelines and Public Resources Code Section 21080.21(a).

FINANCIAL IMPACT:

Approval of the MJRP will result in Petro-Diamond paying the Harbor Department and POLB an annual permit fee of \$2,000.00, including annual CPI.

<u>SF</u>	<u>\$/SF Value</u>	<u>Rental Rate @ 10% ROR</u>	<u>Subsurface Discount</u>	<u>Yearly Compensation</u>	<u>Minimum Annual Compensation</u>
312	\$ 25.00	10%	50%	\$ 390.00	\$2,000.00

The Harbor Department and POLB each have an undivided 50 percent interest in the property; therefore, the Harbor Department will receive 50 percent of the total proposed monthly compensation (\$1,000.00).

CITY ATTORNEY:

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


TRANSMITTAL:

- 1. Master Joint Revocable Permit No. 16-20



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

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



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

EUGENE D. SEROKA
Executive Director