



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

Board of Harbor Commissioners

DATE: JUNE 5, 2019

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 306 WITH ULTRAMAR INC.**

SUMMARY:

Staff requests approval of an Order resetting compensation with Ultramar Inc., a wholly-owned subsidiary of Valero Energy Corporation (collectively referred to as Valero), under Permit No. 306. The proposed compensation reset is for the period of February 1, 2019 through January 31, 2024. Permit No. 306 has been on affirmative holdover since March 2001, and compensation was last reset for the five-year period ending January 2001. Negotiations for a new permit with new compensation terms have failed to be completed since 2001 due to various factors related to development of the surrounding area and regulatory requirements.

Valero currently pays applicable wharfage and dockage charges under Tariff No. 4, as well as land rent of \$143,960 per quarter under Permit No. 306. In calendar year 2018, Valero paid wharfage and dockage charges of \$1,358,000, as well as land rent of \$575,840 for aggregate calendar year 2018 compensation of \$1,933,840.

Under the proposed Order, land rent would increase to \$485,087.72 per quarter, or \$1,940,350.88 annually, and would represent an annual increase of \$1,364,510.88 relative to the land rent paid in calendar year 2018. In addition, Valero would continue paying applicable wharfage and dockage charges under Tariff No. 4. Permit No. 306 does not have a provision for annual Consumer Price Index (CPI) adjustments. However, staff is in the process of negotiating a new 30-year permit in which CPI increases are being negotiated.

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. 306 with Ultramar Inc.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 306; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 306

DISCUSSION:

Background: Permit No. 306 allows Valero the use of City of Los Angeles Harbor Department (Harbor Department) property for the operation of a marine liquid bulk terminal. Valero currently occupies a total of 13.08 acres at Berth 164 in Wilmington (Transmittal 1). Permit No. 306 is currently on holdover status. The permit was initially placed on holdover to accommodate the expansion of Rio Doce Pasha (dba Pasha Stevedoring and Terminals, L.P.) on Mormon Island.

Negotiations for a successor permit with new compensation terms have failed to be completed since 2001 due to various factors. In May 2001, Valero Energy acquired Ultramar and in 2002, the Harbor Department initiated new permit discussions with Valero with the condition that Valero cease use of City of Los Angeles Department of Water & Power (LADWP) tanks to accommodate the proposed Wilmington Waterfront Development project. However, the Harbor Department was unable to come to an agreement with Valero and LADWP. In April 2007, a new permit proposal was made pending California Environmental Quality Act (CEQA) Environmental Impact Report review of a new 20-year permit, but no agreement was reached. In April 2010, successor permit negotiations were initiated in order to comply with the new Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) wharf requirements which resulted in term sheet agreement in 2014. The successor permit processing has been on hold pending CEQA review, which has been delayed due to a series of scope changes related to a companion project at the adjacent marine oil terminal operated by NuStar.

Proposed Action: Staff requests Board approval of the Order (Transmittal 2) resetting compensation under Permit No. 306 with Valero. The proposed compensation is for the five-year period commencing February 1, 2019. The proposed compensation will be \$1,940,350.88 per year (\$485,087.72 per quarter) based on Board policy of 10 percent rate of return on waterfront land value of \$41.60/sf, backland valued at \$31.20/sf, and subsurface lands valued at 50 percent discount of land value, payable in advance, plus all tolls and charges pursuant to Port of Los Angeles Tariff No. 4. Permit No. 306 does not have a provision with annual CPI adjustments. Staff is currently negotiating a new 30-year permit that includes annual CPI adjustments.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 306

FINANCIAL IMPACT:

Approval of this Order setting compensation under Permit No. 306 for the five-year period of February 1, 2019 through January 31, 2024 will increase guaranteed compensation to \$1,940,350.88 per year (\$485,087.72 per quarter), an increase of \$1,364,510.88 per year from current land rent of \$575,840.00 per year.

In addition to land rent, Valero pays all applicable charges under Tariff No. 4, including wharfage and dockage, for use of its premises. In compensation year 2018, the Valero premises generated wharfage and dockage revenues of \$1,358,000. Proposed compensation, inclusive of the proposed land rent as well as future estimated wharfage and dockage will meet the Board policy of 10 percent rate of return requirements for land.

CITY ATTORNEY:

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

TRANSMITTALS:

- 1. Site Map
- 2. Order



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: 
CA Approval: 



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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