



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

Board of Harbor Commissioners

DATE: NOVEMBER 6, 2024

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ ORDER APPROVING
COMPENSATION RESET UNDER PERMIT NO. 513 WITH UNITED
STATES OF AMERICA, THROUGH NAVAL FACILITIES ENGINEERING
SYSTEMS COMMAND, SOUTHWEST**

SUMMARY:

Staff requests approval of an Order resetting compensation under Permit No. 513 (P513 or Permit) with the United States of America, through Naval Facilities Engineering Systems Command, Southwest (US Navy). P513 grants the US Navy use of 106,633 square feet (SF) of surface, submerged and subsurface right-of-way (land) for a petroleum pipeline on City of Los Angeles Harbor Department (Harbor Department) property. The Permit requires that compensation be reset every five years.

Under the proposed Order, annual rent will be increased by \$114,546.61, or 64.81 percent, from \$176,736.39 currently to \$291,283.00, as proposed, effective November 26, 2024. The proposed rate will be in effect for the five-year period of November 26, 2024, to November 25, 2029.

The Order also reflects a minor update to the US Navy command name, as further described herein.

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. 513 with United States of America Through Naval Facilities Engineering Systems Command, Southwest;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 513; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: COMPENSATION RESET FOR UNITED STATES NAVY P513

DISCUSSION:

Background – P513 was granted to the US Navy effective November 26, 1984, for a term of 50 years. The Permit premises (Transmittal 1) consist of 17 parcels totaling 106,633 square feet of right-of-way for a petroleum pipeline. The entire pipeline extends from the Port of Long Beach through Harbor Department property (Terminal Island, the Main Channel, and San Pedro) to an inactive Defense Fuel Support Point, formerly called Defense Energy Support Center on North Gaffey St., San Pedro.

Rent is reset in five-year intervals. The proposed action covers the period of November 26, 2024, to November 25, 2029.

Proposed Compensation – Under the proposed Order (Transmittal 2), the negotiated annual rent takes into account: (a) initial land value of \$50.00 per square foot, per year, and a 10 percent rate of return; (b) annual increases incorporated as described below; and (c) 50 percent reduction of subsurface areas and 67 percent reduction for submerged land (i.e. water area) in accordance with the Leasing Policy.

Proposed annual adjustment methodology – Due to Federal Government’s budgetary limitations, the US Navy is unable to accommodate annual Consumer Price Index (CPI) based escalations to rent. As such, in lieu of a CPI adjustment, an annual three percent increase was negotiated and incorporated into the total five-year compensation with the annual rent subsequently derived by dividing the total into five equal annual payments. See the table below.

Provided below is a table showing current versus proposed rent:

	Previous Reset Period 11/26/2019 to 11/25/2024	Proposed Comp Reset Rates 11/26/2024 to 11/25/2029	% Change
Rent/Year	\$176,736.39	\$291,283.00	+64.81%

Provided below is a table showing the rent calculation for the reset period.

SUBJECT: COMPENSATION RESET FOR UNITED STATES NAVY P513

Premises (Square Feet)	Premises Type	Average Rate Per Square Foot Per Year ¹	Annual Rent
8,917	Surface	~\$5.31	\$47,342
80,253	Subsurface	~\$2.65	\$213,037
17,463	Submerged (Water)	~\$1.77	\$30,904
Total Annual Rent			\$291,283

¹Negotiated rate that staff confirmed is consistent with market values for comparable properties.

Provided below is the rent by year for the reset period, which is averaged over the five-year period to account for annual increases, as described above.

Year	Annual Rent
2024/25	\$274,322
2025/26	\$282,552
2026/27	\$291,029
2027/28	\$299,760
2028/29	\$308,752
Total	\$1,456,415
Averaged/Due Each Year	\$291,283

Name Update – The Order reflects an update to the US Navy command name to The United States of America, through Naval Facilities Engineering *Systems* Command, Southwest.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an Order resetting compensation to P513 with the US Navy, which is an administrative activity. Therefore, the Director of Environmental

SUBJECT: COMPENSATION RESET FOR UNITED STATES NAVY P513

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 Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Order will reset compensation under Permit No. 513 with the US Navy for the five-year period of November 26, 2024, through November 25, 2029. Under the proposed compensation reset Order, the annual rent will be increased by \$114,546.61, or 64.81 percent, from \$176,736.39 currently to \$291,283.00, as proposed effective November 26, 2024. Total rental compensation to the Harbor Department for the five-year period will be \$1,456,415.

CITY ATTORNEY:

The proposed Order resetting compensation under Permit No. 513 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Premises Map
2. Order

FIS Approval: 93
CA Approval: 50

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APPROVED:

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