



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

DATE: AUGUST 21, 2024
FROM: WATERFRONT & COMMERCIAL REAL ESTATE
SUBJECT: RESOLUTION NO. _____ APPROVE ORDER
RESETTING COMPENSATION UNDER PERMIT NO. 916 WITH SHELL
OIL COMPANY

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 916 with Shell Oil Company (Shell) for the five-year period of March 26, 2024, through March 25, 2029. Permit No. 916 grants Shell the use of Berths 167-169 in Wilmington for the operation of a marine liquid bulk terminal.

Under the proposed action, Shell's minimum annual land rent will increase by \$68,437, or 3.57 percent, from \$1,918,013 to \$1,986,450 effective March 26, 2024. Thereafter, annual rent will increase by the year-over-year change in the Consumer Price Index (CPI). In addition to the annual minimum land rent, Shell will continue to be financially responsible for payment of all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.

The applicable five-year compensation reset was due on March 26, 2024; consequently, Shell has agreed and will be assessed the compensation reset retroactively to March 26, 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 Guidelines;
2. Approve the Order resetting compensation under Permit No. 916 with Shell Oil Company;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 916; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION: PERMIT NO. 916

DISCUSSION:

Background: Shell was granted a 30-year term permit, commencing March 26, 2019, and expiring March 25, 2049. Permit No. 916 allows Shell the use of City of Los Angeles Harbor Department property for the operation of a marine liquid bulk terminal. Shell currently occupies a total of 11.57 acres of land at Berth 167-169 in Wilmington (Transmittal 1).

Permit No. 916 requires that compensation be reset every five years. Staff and Shell have come to an agreement for the five-year compensation reset (Transmittal 2). Shell has agreed for the compensation reset to be effective retroactive to March 26, 2024.

Proposed Action: Staff requests Board approval of the Order resetting compensation under Permit No. 916 with Shell. The proposed compensation reset is described below.

	Existing	Proposed
Effective Date/Applicable Period	March 26, 2019 – March 25, 2024	March 26, 2024 – March 25, 2029
Rental Rate	\$41.30/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	\$1,918,013	\$1,986,450 Payable quarterly in an amount of \$496,613
Annual Land Rent Increases	CPI	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 transaction in the area.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order Resetting Compensation with Shell under Permit No. 916, 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 Los Angeles City CEQA Guidelines.

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SUBJECT: ORDER RESETTING COMPENSATION: PERMIT NO. 916

FINANCIAL IMPACT:

Approval of the Order will reset compensation under Permit No. 916 with Shell for the five-year period of March 26, 2024, through March 25, 2029. Under the proposed action, Shell's minimum annual land rent will increase by \$68,437, or 3.57 percent, from \$1,918,013 to \$1,986,450 effective March 26, 2024. Thereafter, annual rent will increase by the year-over-year change in the CPI.

In addition to the above identified compensation, Shell will pay all applicable charges under Tariff No. 4 for the use of its assigned premises. In the compensation year 2023, Shell generated \$258,436 in dockage revenues and \$979,142 in wharfage revenues.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Site Map
2. Order – Permit No. 916

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

FIS Approval: *JS*

CA Approval: *JC*

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director

MG:EP:KK:jg
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BL1051jg SHELL Comp Reset 2024