



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

DATE: AUGUST 8, 2018

FROM: PLANNING AND STRATEGY

SUBJECT: RESOLUTION NO. _____ – ISSUANCE OF A LEVEL II NON-APPEALABLE COASTAL DEVELOPMENT PERMIT (NO. 18-12) TO THE PORT OF LOS ANGELES FOR BERTHS 167-169 SHELL MARINE OIL TERMINAL WHARF IMPROVEMENT PROJECT

SUMMARY:

If the Board of Harbor Commissioners (Board), in its sole discretion, chooses to approve the Berths 167-169 [Shell] Marine Oil Terminal Wharf Improvements Project Final Environmental Impact Report (FEIR) at the August 23, 2018 Board meeting, this action will be brought at the same Board meeting to request that the Board approve a Level II non-appealable Coastal Development Permit (CDP) No. 18-12 to the City of Los Angeles Harbor Department (Harbor Department).

Staff requests that the Board approve a Level II non-appealable CDP No. 18-12 to the Harbor Department for wharf improvements at Berths 167-169 operated by Shell Oil Products US (Shell). The improvements are required in order to comply with the Marine Oil Terminals Engineering & Maintenance Standards (MOTEMS) of the 2016 California Building Code.

Improvements described in the FEIR for the Berths 167-169 Shell Improvements Project are split between applications for Shell and the Harbor Department. As such, CDP 18-12 covers the portion of work for the Harbor Department. A second CDP will be needed for Shell's portion of the work.

The Harbor Department is financially responsible for the Harbor Department's portion of the work covered by CDP 18-12 as outlined in the Application for Port Permit (APP) No. 131007-133 up to \$7.5 million of the first \$33 million in costs incurred. If the total project cost exceeds \$33 million, the Harbor Department will be responsible for 100 percent of those additional costs.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Hold a public hearing for the proposed Coastal Development Permit No. 18-12, a Level II non-appealable permit;

SUBJECT: LEVEL II NON-APPEALABLE CDP NO. 18-12 FOR BERTHS 167-169 SHELL MOTEMS WHARF IMPROVEMENT

2. Find that the Board, in its independent judgment, having considered and adopted the Berths 167-169 Shell Marine Oil Terminal Wharf Improvement Project FEIR is in compliance with the requirements of the California Environmental Quality Act (CEQA), there is no substantial evidence that the Project or proposed action, as mitigated, will have a significant effect on the environment;
3. Find that the proposed project conforms with the Port of Los Angeles certified Port Master Plan;
4. Upon closure of the public hearing, resolve to approve the issuance of Coastal Development Permit No. 18-12, consistent with the project description listed on Application for Port Permit No. 131007-133, and direct the Director of Planning and Strategy to execute and issue said permit on behalf of and as the designee of the Executive Director; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The Shell terminal at Berths 167-169 has been in operation at Mormon Island since 1923 as a marine liquid bulk terminal for unloading and loading of petroleum products. The Shell terminal currently operates under Permit No. 634 which is set to expire in February 2023.

The proposed project is needed to meet the design requirements of MOTEMS, which establishes minimum engineering, inspection, and maintenance criteria for marine oil terminals to protect public health, safety and the environment, and governs the upgrade and design of terminals to ensure better resistance to earthquakes and reduce the potential of oil spills.

The Shell terminal encompasses a land area of approximately nine acres that includes 11 storage tanks of various sizes, parking and several ancillary buildings. The over water area encompasses approximately three acres, and has two operating berths, and a 1,240-foot timber wharf that accommodates two tankers (Transmittal 1). The Shell terminal handles refined petroleum products and feedstock such as gasoline, diesel, ethanol, and jet fuel that are transferred to and from vessels (tankers and barges). Shell does not handle crude oil or Liquefied Natural Gas (LNG) at this facility. Employees at the site consist of six full-time and one part-time employees.

On August 23, 2018, staff will present to the Board a proposed FIER for Berths 167-169 Shell Marine Oil Terminal Wharf Improvements Project (167-169 FEIS/FEIR)(APP's #131007-133, 140806-095, 161013-152 and 180321-043; SCH NO. 2015061102). If the Board, in its sole discretion, should choose to approve the FEIR, staff will present this CDP to the Board for approval at the same Board meeting.

**SUBJECT: LEVEL II NON-APPEALABLE CDP NO. 18-12 FOR BERTHS 167-169
SHELL MOTEMS WHARF IMPROVEMENT**

Project Description – Construction is expected to begin in 2018. Construction associated with the first platform (Berths 167-168) would occur first and take approximately two years to complete, followed by a similar period for construction of a platform at Berth 169.

Construction would allow ongoing terminal operations as one berth would be shut down while the other berth would remain operational. Upon execution, a new 30-year lease will supersede the current lease, which is set to expire in February 2023, and will allow Shell to continue operations at the existing marine oil terminal.

The primary components to meet MOTEMS requirements include the following:

- Demolition of approximately 64,400 square feet of the existing timber wharf structure and removal and disposal of the timber deck (cap beams, joists, decking, etc.) and removal of approximately 900 creosote treated timber piles.
- Construction of a new 124-foot by 30-foot concrete loading platform at Berth 167, supported by steel support piles with access trestles to provide pedestrian and vehicle access.
- Construction of new concrete mooring dolphins to the north (MD1) and south (MD5) of the new loading platform.
- Modification of the existing mooring dolphin (MD4) located just south of the new loading platform.
- Construction of steel catwalks to provide pedestrian access from the new loading platform to the eight existing berthing dolphins and two new mooring dolphins.

Coastal Permit Requirements – The proposed project is a Level II non-appealable project in accordance with Section 6.4 of the Port Master Plan (PMP). A Level II permit is required for projects that involve significant resources; cause major changes in land and/or water use and in the density or intensity of the use; have the potential of creating significant environmental impacts that can or cannot be mitigated; or are appealable. The proposed project is a Level II CDP because wharf upgrades involve significant resources, cause major changes in the intensity of the use, and potentially create significant environmental impacts as outlined in Section 6.4.3 of the PMP (Transmittal 2). Section 6.4.4 of the PMP identifies appealable projects with development for storage, transmission or processing of crude oil and LNG. Shell does not handle and will not handle crude oil or LNG at the facility; therefore, this project is non-appealable.

Procedurally, a Level II non-appealable CDP requires a public hearing that is publicized at least fifteen calendar days prior to the scheduled date of the hearing. A public notice for the proposed development was published on August 8, 2018 (Transmittal 3).

The Director of Planning and Strategy has determined that the proposed project is consistent with the PMP and the Chapter 8 policies of the California Coastal Act (Coastal

SUBJECT: LEVEL II NON-APPEALABLE CDP NO. 18-12 FOR BERTHS 167-169 SHELL MOTEMS WHARF IMPROVEMENT

Act) of 1976, as amended. Located in Planning Area 2 of the PMP, this project is consistent with its liquid bulk land use designation. The proposed wharf upgrade project is consistent with Section 30701 of the Coastal Act and Policy 1.3 of the PMP which encourages the modernization of the Port in order to minimize new ports in the state.

The project is also consistent with Section 30707, 30232 and 30261 of the Coastal Act and Policy 6.1 and 6.2 of the PMP regarding Tanker Terminal Safety and the new design of tanker terminals to protect against the spillage of crude oil, gas, petroleum products or hazardous substances.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Level II non-appealable CDP No. 18-12 for wharf improvements at Berth 167-169. In the event the Board first determined in accordance with CEQA Guidelines Sections 15080-15097 that the proposed Project would not have a significant effect on the environment with the incorporation of mitigation measures pursuant to its approval the Berths 167-169 [Shell] Marine Oil Terminal Wharf Improvements Project FEIR for the proposed project, then the Board may approve issuance of CDP No. 18-12. If the Board, in its independent judgement, elected not to approve the Berths 167-169 [Shell] Marine Oil Terminal Wharf Improvements Project FEIR, then the Board should not approve the issuance of CDP no. 18-12.

FINANCIAL IMPACT:

Approval of the CDP is a procedural requirement for the Harbor Department portion of the proposed Berths 167-169 Shell MOTEMS wharf improvements. This Board action does not authorize any expenditures related to the project nor does it commit the Harbor Department to complete the project as ultimately approved.

A total of \$22,540,338 is programmed in the Port's 10-year Capital Improvement Program (actuals through March 2018) for the Shell MOTEMS improvements. As part of the FY 2019 budget adoption process, \$285,933 was programmed within work order 24936 to continue pre-construction efforts in FY 2019 related to the Harbor Department portion of the proposed Berths 167-169 Shell MOTEMS wharf improvements. The Harbor Department's financial obligations beyond FY 2019 are contingent upon the Board's appropriation of funds.

As part of the business arrangement with Shell to complete the Harbor Department portion of the proposed Berths 167-169 MOTEMS wharf improvements, the Harbor Department will initially incur all project costs, then subsequently seek reimbursement from Shell. The Harbor Department is financially responsible for up to \$7.5 million of the first \$33 million in costs incurred for the Harbor Shell MOTEMS improvements. If the cost exceeds \$33 million, the Harbor Department will be responsible for 100 percent of the additional costs to complete the Harbor Department portion of the proposed Berths 167-169 MOTEMS wharf improvements.

SUBJECT: LEVEL II NON-APPEALABLE CDP NO. 18-12 FOR BERTHS 167-169 SHELL MOTEMS WHARF IMPROVEMENT

The Harbor Department's financial return on the project will be fully detailed in any future Board actions requesting approval of the project's capital expenditures and/or new lease under Permit No. 634. However, preliminary financial analysis indicates the undertaking of the project would likely conform to the Harbor Department's Board adopted rate of return policy. Aside from mitigation and lease measures as outlined in the Mitigation Monitoring and Reporting Program and Shell's construction phases, the project is the financial responsibility of the Harbor Department. However, the Harbor Department will seek reimbursement of costs incurred subject to the thresholds previously discussed within this section.

CITY ATTORNEY:

The office of the City Attorney has reviewed this Board Report and determined that it raises no legal issues at this time.

TRANSMITTALS:

1. Site Location Map
2. CDP No. 18-12
3. Public Notice

FIS Approval: 
CA Approval: 


MICHAEL KEENAN
Director of Planning and Strategy


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

Author: R.Payne

APP No. 131007-133