



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 7, 2020

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ – ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 908 WITH TESORO
LOGISTICS OPERATIONS LLC.**

SUMMARY:

Staff requests approval of an Order resetting compensation under Permit No. 908 with Tesoro Logistics Operations, LLC (Tesoro Logistics) for the five-year period of February 2, 2020 through February 1, 2025. Under Permit No. 908, Tesoro Logistics occupies 16,909 square feet of subsurface land for a term of 20 years, expiring on February 1, 2035, for the operation and maintenance of three pipelines that transport petroleum products.

The current annual rent for Permit No. 908 is \$27,285.75. Under the proposed Order compensation reset effective February 2, 2020, the annual rent will be \$35,508.90, subject to annual increases based on the Consumer Price Index (CPI-U).

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 for Permit No. 908 with Tesoro Logistics Operations, LLC;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 908; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION UNDER PERMIT NO. 908

DISCUSSION:

Background – The Board and Los Angeles City Council approved Permit No. 908 on October 16, 2014, and January 21, 2015, respectively. Under Permit No. 908, Tesoro Logistics occupies 16,909 square feet of subsurface land for a term of 20 years, expiring on February 1, 2035, for the operation and maintenance of pipelines that transport petroleum products. A depiction of the premises is provided as Transmittal 1.

Pursuant to the terms of Permit No. 908, a rental rate adjustment is required for the upcoming five-year period of February 2, 2020 through February 1, 2025. A copy of the proposed Order is provided as Transmittal 2. Provided below is a summary of the proposed adjustment.

Rate Adjustment Summary:

	Rate (Per square foot/year)	Premises (Square Feet)	Rent (Annual)
Current¹	\$1.61	16,909	\$27,285.75
Proposed²	\$2.10	16,909	\$35,508.90

Notes:
¹Current rate is rounded for comparison purposes.
²Proposed rate is calculated using a 10% rate of return (as required by the Harbor Department's Leasing Policy) on a land value of \$42.00 per square foot and applying a 50% subsurface discount. Staff confirmed the land value used to derive the rate is consistent with market values for the area.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an order resetting compensation under Permit No. 908 with Tesoro Logistics, 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.

FINANCIAL IMPACT:

Approval of the proposed Order would result in an initial \$8,223.15 increase in annual rent from currently \$27,285.75 to \$35,508.90 in Year 1. Thereafter, annual rent will increase by CPI-U. Annual rent under the proposed Order conforms to the Harbor Department's Leasing Policy.

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CITY ATTORNEY:


The Order resetting compensation under Permit No. 908 has been reviewed and approved as to form and legality by the Office of the City Attorney.


TRANSMITTALS:

1. Site Map
2. Order



MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

FIS Approval: 
CA Approval: 


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA ^{FOR}
Executive Director

ES:MD:MK:RG:TY:raw
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BL817jg Tesoro Permit 908