



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 25, 2013

FROM: PLANNING & ECONOMIC DEVELOPMENT

SUBJECT: RESOLUTION NO. _____ – ISSUANCE OF A LEVEL III COASTAL DEVELOPMENT PERMIT (NO. 13-08) TO KINDER MORGAN TANK STORAGE TERMINALS, LLC FOR THE DEMOLITION OF CERTAIN FACILITY IMPROVEMENTS AND REMEDIATION AT BERTHS 119 AND 120

SUMMARY:

Kinder Morgan Tank Storage Terminals, LLC (Kinder Morgan) has requested to demolish 10 of 12 petroleum storage tanks, associated piping, and equipment at Berths 119 and 120. Two tanks will remain to allow Kinder Morgan to continue to import and export product until April 2017. Site remediation of impacted soils would occur immediately after demolition. Staff is recommending the Board of Harbor Commissioners (Board) approve Coastal Development Permit (CDP) No. 13-08, a Level III, non-appealable permit for the proposed project.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Hold a public hearing for the proposed Level III, non-appealable Coastal Development Permit No. 13-08;
2. Find that the proposed project conforms with the Port Master Plan and the California Coastal Act of 1976, as amended, and find that this project will have no significant adverse environmental impacts as provided in the California Environmental Quality Act;
3. Upon closure of the public hearing, resolve to approve the issuance of a Level III, non-appealable Coastal Development Permit No. 13-08 to demolish the petroleum storage tanks, associated piping, and equipment at Berths 119 and 120, and remediate the site subject to the standard conditions set forth in the permit, and direct the Director of Planning and Economic Development to issue said permit; and
4. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – In 1988, Permit 708 was issued to GATX Tank Storage Terminals Corp (GATX) for a twenty-five year period to operate a 12.9 acre liquid bulk facility at Berths 118 to 120, and related subsurface pipeline rights-of-way facilitating connections to inland refineries and tank farms (Transmittal 1). In 2000, Kinder Morgan acquired GATX.

In 2009, the notice was given to Kinder Morgan that Permit 708 would not be renewed, resulting in the lease expiring on April 13, 2013. Kinder Morgan is in the process of moving its operations to the Port of Long Beach, but due to construction delays would like to continue limited operations at Berths 118 and 119.

A settlement agreement was reached on February 26, 2013 between the City of Los Angeles Harbor Department and Kinder Morgan that would allow Kinder Morgan to continue to import and export product at Berth 118 and 119 until April 2017. However, Kinder Morgan was required to begin demolition work in support of an ultimate closing of the terminal.

Scope of Work – Issuance of CDP No. 13-08 will allow for the demolition of 10 of 12 petroleum storage tanks, piping, piping support, and equipment. Demolition will not include tanks 10735 and 5742, the fire suppression system, the navigational beacon, and security cameras. Remediation of impacted soils would occur immediately after demolition.

Kinder Morgan has agreed to pay the entire project demolition and remediation cost, which is approximately \$25 million. Should the Board approve the issuance of CDP No. 13-08, work would commence by October 2013 and be completed by late May 2015.

Coastal Permit Requirements – The proposed project, which is located in Master Planning Area 4, is a Level III, non-appealable project in accordance with the definitions set forth in the *Guidelines for Implementation of the Port of Los Angeles Certified Port Master Plan*. A Level III permit is one of three levels of permits that the Board can issue (Transmittal 2). Level III permits are required for developments that involve large capital expenditures, have a risk of substantial adverse environmental impacts that can be mitigated, involve the potential for unavoidable adverse impacts that cannot be mitigated, or result in major changes in land and/or water uses.

The proposed project has been found to be consistent with the Port Master Plan, as the proposed development is for the restoration and remediation of the site. The proposed project has also been found to be consistent with Chapter 8 policies of the California Coastal Act of 1976, as amended. Specifically, the restoration and remediation of the

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site is consistent with Section 30708 which requires developments to minimize substantial adverse environmental impacts.

As the proposed project requires a Level III coastal development permit, a public hearing is required. On July 24, 2013, the public notice for the issuance of the proposed project was published (Transmittal 3).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Level III CDP for demolition of 10 tanks as well as associated piping and equipment at Berths 119 and 120 and remediation of the site. Demolition and remediation of the site were assessed in the GATX Lease Renewal Berths 118-119 Facility Environmental Impact Report (EIR), (ADP # 880413-056, SCH # 90010710). Therefore, as an activity for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA), the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2 (i) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

The project associated with the proposed CDP will have 201 direct and 164 secondary one-year equivalent jobs for the five-county region.

FINANCIAL IMPACT:

The compensation payable by Kinder Morgan to the Harbor Department will be prorated based on parcels of the site that will be in use subsequent to remediation. Any reduction in compensation to the Harbor Department will be determined after the Harbor Department accepts the parcels no longer in use. Kinder Morgan has agreed to pay the entire project demolition and remediation cost, which is approximately \$25 million. All other terms and conditions during the term of the extension will remain the same.

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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. 13-08
3. Public Notice

FIS Approval: DLR (initials)
CA Approval: JMC (initials)


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APPROVED:


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