



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

**DATE: JUNE 26, 2019**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ ORDERS RESETTING  
COMPENSATION UNDER PERMIT NOS. 712 AND 713 WITH SHORE  
TERMINALS LLC**

**SUMMARY:**

Staff requests approval of Orders resetting compensation with Shore Terminals LLC, a wholly-owned subsidiary of NuStar Energy L.P. (collectively referred to as NuStar) under Permit Nos. 712 and 713. The proposed compensation reset is for the five-year period of June 25, 2019 through June 24, 2024, for use of Berths 163-164 in Wilmington, as a marine oil terminal. Permit Nos. 712 and 713 have been on affirmative holdover since June 2014.

Currently, NuStar pays applicable wharfage and dockage charges under Tariff No. 4, as well as land rent of \$315,850.73 per quarter under Permit Nos. 712 and 713. In calendar year 2018, NuStar paid wharfage and dockage charges of \$487,447.35, as well as land rent of \$1,263,402.92 for aggregate calendar year 2018 compensation of \$1,750,850.27.

Under the proposed Orders, land rent would increase to \$404,172.60 per quarter, or \$1,616,690.40 annually, and would represent an annual increase of \$353,287.48 relative to the land rent paid in calendar year 2018. In addition, NuStar would continue paying applicable wharfage and dockage charges under Tariff No. 4. Permit Nos. 712 and 713 does not have a provision for annual Consumer Price Index (CPI) adjustments. However, staff is in the process of negotiating a new 30-year permit in which CPI increases are being negotiated.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed actions are 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 Orders resetting compensation under Permit Nos. 712 and 713 with Shore Terminals LLC;

**SUBJECT: ORDERS RESETTING COMPENSATION: PERMIT NOS. 712 & 713**

3. Authorize the Board Secretary to attest to the Orders resetting compensation under Permit Nos. 712 and 713; and
4. Adopt Resolution No. \_\_\_\_\_ and Order Nos. \_\_\_\_\_.

**DISCUSSION:**

Background: Permit Nos. 712 and 713 allow NuStar the use of the City of Los Angeles Harbor Department (Harbor Department) property for the operation of a marine liquid bulk terminal handling and distributing crude petroleum, petroleum intermediate and finished products, petrochemicals and product additives. NuStar currently occupies a total of 9.18 acres at Berth 163 in Wilmington (Transmittal 1). Permit Nos. 712 and 713 are currently on holdover status after the initial 20-year term ended on June 25, 2014.

Proposed Action: Staff requests Board approval of the Orders resetting compensation under Permit Nos. 712 and 713 with NuStar (Transmittals 2 & 3). The proposed compensation is for a five-year period commencing June 25, 2019. The proposed compensation will be \$1,616,690.40 per year (\$404,172.60 per quarter) based on the Board policy of a 10 percent rate of return on waterfront land value of \$41.60/sf and subsurface lands valued at 50 percent discount of land value, payable in advance, plus all tolls and charges pursuant to Port of Los Angeles Tariff No. 4 (Transmittal 4). Permit Nos. 712 and 713 do not have a provision with annual CPI adjustments. Staff is currently negotiating a new 30-year permit that includes annual CPI adjustments.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the proposed Orders resetting compensation under Permit Nos. 712 and 713 with Shore Terminals LLC, 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 Class 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the Orders setting compensation under Permit Nos. 712 and 713 for the five-year period of June 25, 2019 through June 24, 2024 will increase land rent compensation to \$1,616,690.40 per year (\$404,172.60 per quarter), an increase of \$353,287.48 per year from the current land rent of \$1,263,402.92 per year.

In addition to land rent, NuStar pays all applicable charges under Tariff No. 4, including wharfage and dockage, for use of its premises. In compensation year 2018, the NuStar premises generated wharfage and dockage revenues of \$487,447.35. Proposed compensation, inclusive of the proposed land rent as well as future estimated wharfage and dockage, will meet the Board's policy of a 10 percent rate of return requirement for land.

SUBJECT: ORDERS RESETTING COMPENSATION: PERMIT NOS. 712 & 713

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the proposed Orders as to form and legality.

**TRANSMITTALS:**

1. Site Map
2. Order – Permit No. 712
3. Order – Permit No. 713
4. Proposed Rental Calculation



MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

FIS Approval: MB  
CA Approval: MD

*FOR*   
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

MJG:ER:HP:KK:ds  
Author: Kevin Kim  
BL792ds Shore NuStar Comp Reset 2019