



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 23, 2025

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE FOURTH
AMENDMENT TO PERMIT NO. 708 WITH KINDER MORGAN TANK
STORAGE TERMINALS, LLC**

SUMMARY:

Staff requests approval of a Fourth Amendment to Permit No. 708 (Permit 708) with Kinder Morgan Tank Storage Terminals, LLC (Kinder Morgan). Approval of the proposed Fourth Amendment will allow continued operation of the existing marine oil terminal at Berths 118-119 until no later than April 13, 2029. Upon the earlier of 12 months of ceasing operations or April 12, 2030, Kinder Morgan must restore and surrender the Berth 118-119 site to the City of Los Angeles Harbor Department (Harbor Department).

Kinder Morgan and staff are currently evaluating relocating Kinder Morgan operations to Berth 131. Such relocation is necessary as Berth 118-119 has become non-compliant with new Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) as administered by the California State Lands Commission (CSLC).

The CSLC has formally authorized Kinder Morgan to continue operating at the non-compliant Berths 118-119 through the earlier of: 1) December 31, 2028, or 2) when the relocation to a new MOTEMS compliant Berth 131 wharf occurs. CSLC may authorize further extensions should relocation to Berth 131 be delayed. It is worth noting, Kinder Morgan is making steady progress with its efforts to build the new MOTEMS compliant wharf at Berth 131.

Regardless of whether Kinder Morgan relocates to Berth 131, Kinder Morgan will be required to cease operations at Berths 118-119 by April 13, 2029, and begin remediation efforts.

All maintenance and repair costs associated with the terminal and wharf at Berths 118-119, including all costs for MOTEMS compliance, will be borne by Kinder Morgan during the term of Permit No. 708. A new permit will be issued to address Kinder Morgan's future use and occupancy at Berth 131.

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 categorically exempt from the requirements of the California

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Environmental Quality Act (CEQA) under Article III, Class 1(14) of the Los Angeles City CEQA Guidelines;

2. Approve the Fourth Amendment to Permit No. 708 with Kinder Morgan Tank Storage Terminals, LLC;
3. Direct the Board Secretary to transmit the Fourth Amendment to the City Council for approval pursuant to Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the Fourth Amendment to Permit No. 708 with Kinder Morgan Tank Storage Terminals, LLC upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Permit History – Effective April 14, 1988, the City of Los Angeles through the Harbor Department granted Permit 708 to GATX Tank Storage Terminals Corporation for the operation of a marine oil terminal at Berths 118-120 and various subsurface pipelines throughout the Harbor District. Kinder Morgan subsequently acquired GATX Tank Storage Terminals Corporation. Since the effective date, three amendments have occurred to Permit 708 (May 10, 2013, First Amendment; August 23, 2018, Second Amendment; and May 26, 2022, Third Amendment). Effectively, the amendments modified and adjusted the premises and improvements over time and extended the term to April 13, 2025. Currently, Permit 708 is active and on month-to-month holdover status.

Permit 708 initially granted the use of approximately 10 acres of land at Berths 118-120, including nearly 100,000 square feet of subsurface pipeline right-of-way (Transmittal 1). Permit 708 was initially a 25-year term permit, with an expiration date of April 13, 2013.

The First Amendment extended the term of Permit 708 for five years to allow for limited continued operations, demolition, and cleanup in consideration of a settlement in litigation involving cleanup of the former GATX marine oil terminal at Berths 171-173. The First Amendment also required Kinder Morgan to cease operations by April 13, 2017.

The Second Amendment granted Kinder Morgan a five-year extension, requiring operations to cease April 13, 2022, and to relocate to another location within the Port of Los Angeles or Long Beach. As part of the Second Amendment, Kinder Morgan spent approximately \$5,000,000 to upgrade the wharf at Berth 118 to comply with CSLC's requirement for continued operation.

The Third Amendment extended the term to expire April 13, 2025.

Alternatives Considered – In 2013, Kinder Morgan made plans to move its operations to the Port of Long Beach. However, upon completion of the construction at the terminal in Long Beach, Kinder Morgan found itself in a vessel-scheduling conflict with the primary

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tenant, which made the move impractical. Kinder Morgan then proposed to lease a vacant Harbor Department parcel and utilize the berth and marine oil terminal as a customer of an existing marine oil terminal tenant in the Port of Los Angeles. To allow time for Kinder Morgan to negotiate with the existing tenant, to complete the environmental assessment, a new permit, and construction at a new location, a five-year permit extension was granted. The negotiation with the marine oil terminal was unsuccessful.

Kinder Morgan studied the feasibility of relocating to Berth 194, next to Vopak in Wilmington. While Berth 194 was suitable for an oil terminal operation, the cost to build a new oil terminal with new wharf and subsurface pipelines connecting to their existing pipelines became uneconomical. Lastly, Kinder Morgan requested building a new MOTEMS' compliant wharf next to the existing wharf at Berth 118-119. After review, the Harbor Department determined that the potential expansion of wharf at Berth 120 would restrict access to the berth and make it unusable. Kinder Morgan analyzed various other locations and found all to be unsuitable or uneconomical. Currently Kinder Morgan and Harbor Department are evaluating the feasibility and advancing efforts of relocation to Berth 131.

Proposed Amendment – Under the proposed Fourth Amendment (Transmittal 2), Kinder Morgan would continue to import and export product at Berth 118-119. CSLC has authorized Kinder Morgan to continue operating at Berths 118-119 through the earlier of December 31, 2028, or until the relocation to Berth 131 is authorized and a new MOTEMS' compliant wharf is built (Transmittal 3). All costs associated with maintenance of the premises, including wharf structure and dredging, are Kinder Morgan's responsibility. Kinder Morgan will also be required to meet all CSLC's MOTEMS wharf requirements at its sole cost. The Harbor Department will not be responsible for any costs associated with the terminal at Berths 118-119.

The proposed Fourth Amendment requires cessation of operations at Berths 118-119 by April 13, 2029. Kinder Morgan will be required to complete site restoration within 12 months from the cessation date. The restoration work included in the Fourth Amendment will require submittal of an Application for Port Permit (APP) and thus require a separate assessment under CEQA. Consequently, work will not be conducted until such CEQA assessment has been completed.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Fourth Amendment to Permit 708 with Kinder Morgan, which extends continued operation of the existing marine oil terminal at Berths 118-119 involving negligible or no expansion of use until no later than April 13, 2029. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed Fourth Amendment will allow Kinder Morgan’s operations to continue for an additional period of time (up to five years). Such continued operations at Berths 118-119 are anticipated to generate \$3,100,000 annually (effectively \$15,500,000 over a 5-year period). Rental rates will remain unchanged via the Fourth Amendment; however, rates are subject to a regularly scheduled reset to market in 2028.

The table below summarizes the past 5 years’ revenue generated by Kinder Morgan’s activity.

	2020	2021	2022	2023	2024
Dockage	\$303,207.26	\$258,547.25	\$244,768.88	\$241,201.19	\$255,189.47
Wharfage	\$795,274.07	\$663,445.06	\$601,636.44	\$650,661.61	\$705,947.46
Land Rent	\$1,838,099.65	\$1,868,803.17	\$1,973,117.28	\$2,086,078.95	\$2,166,795.66
Total	\$2,936,580.98	\$2,790,795.48	\$2,819,522.60	\$2,977,941.75	\$3,127,932.59

CITY ATTORNEY:

The Fourth Amendment has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Fourth Amendment
3. CSLC Extension Letter

FIS Approval: JS
CA Approval: SO

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APPROVED:

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BL1087 Kinder Morgan 4th Amendment