



DATE: JUNE 22, 2011

FROM: REAL ESTATE DIVISION

**SUBJECT: ORDER NO. _____ - PROPOSED RESETTING OF
COMPENSATION UNDER PERMIT NO. 309 WITH CONOCOPHILLIPS
COMPANY**

SUMMARY:

Permit No. 309 grants ConocoPhillips (Conoco) use of approximately 48,693 square feet of City of Los Angeles Harbor Department (Harbor Department) backland in the Classification Yard, located in the north Wilmington area for the construction, maintenance, and operation of subsurface petroleum pipelines. Permit No. 309 has a 50-year term, expiring June 12, 2026, with compensation to be reset every five years. The proposed compensation is to remain unchanged for the five-year period of June 13, 2011 through June 12, 2016.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Adopt and approve the Order resetting compensation under Permit No. 309 with ConocoPhillips Company for the five-year period of June 13, 2011 through June 12, 2016;
2. Authorize the Board Secretary to attest to the Order resetting compensation pursuant to Permit No. 309; and
3. Adopt Order No. _____.

DISCUSSION:

Background – Permit 309 has a 50-year term, from June 13, 1976 to June 12, 2026. The premises include subsurface land with one 42” pipeline, gate valves, and appurtenances owned by Conoco. The current compensation under Permit No. 309 is based on a 2006 benchmark land value study conducted by the appraisal firm R.P. Laurain & Associates, which established a benchmark value of \$22.50 per square foot (s.f.) for backland Harbor Department property located in the Wilmington industrial area.

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Subsequently, based on a 2009 land value and rent survey conducted by the Real Estate Division, the Harbor Department established an interim benchmark value of \$22 per s.f. for backland Harbor Department property. However, since the current compensation is set at \$22.50 per s.f., when land values were higher in 2006, the Harbor Department and Conoco mutually agreed to leave the current compensation unchanged for the five-year period of June 13, 2011 through June 12, 2016.

Current Compensation – Compensation for land rent under Permit No. 309 is currently set at \$27,390 per year, based on a land value of \$22.50 per s.f., with a ten percent rate of return, and a 75 percent subsurface discount.

Proposed Compensation – Annual land rent under Permit No. 309 is proposed to be left unchanged at the current rent of \$27,390 per year. No increase is necessary at this time, as Conoco's rates are within the range of current market rates.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the resetting of compensation, as required every five years under Permit No. 309. As an administrative activity, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment effect in our five-county region.

FINANCIAL IMPACT:

Since proposed compensation remains unchanged from current compensation, there will not be a financial impact from this compensation reset.

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CITY ATTORNEY:

The proposed Order has been approved as to form and legality by the Office of the City Attorney

TRANSMITTALS:

1. Order
2. Site Map

FIS Approval: WSP (initials)

City Attorney: TR (initials)


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

KM:RG:FFS:raw
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BL385raw Conoco Comp Order