



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: OCTOBER 16, 2018**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ORDER APPROVING  
COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN  
CALIFORNIA GAS COMPANY**

**SUMMARY:**

Staff requests approval of a compensation reset under Permit No. 870 (P870) with Southern California Gas Company (SCGC) for the five-year period of October 25, 2017 through October 24, 2022. P870 has a 20-year term from October 25, 2012 to October 24, 2032, with compensation to be reset every five years. P870 grants SCGC the use of 3,331 square feet (s.f.) of subsurface land located in East Wilmington for maintenance and operation of an existing pipeline.

Effective October 25, 2017, annual compensation for the first year of the reset period will be \$4,996.50, with subsequent annual Consumer Price Index (CPI) adjustments.

**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 under Permit No. 870 with Southern California Gas Company;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 870; and
4. Adopt Resolution No. \_\_\_\_\_ and Order No. \_\_\_\_\_.

DATE: OCTOBER 16, 2018

PAGE 2 OF 3

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN CALIFORNIA GAS COMPANY

**DISCUSSION:**

Background - P870 has a 20-year term, which expires on October 24, 2032. The premises (Transmittal 1) are used for maintenance and operation of an existing subsurface pipeline right-of-way.

Current Compensation – SCGC’s initial compensation was negotiated in 2012. The rent was established based on a land value of \$22 per s.f., with a rate of return of 10 percent and subsurface parcels discounted by 50 percent. In addition, rent is subject to an annual CPI adjustment. SCGC currently pays an annual rent of \$4,494.45.

Proposed Reset of Compensation – Compensation will be reset to market rental rates based on a land value of \$30 per s.f., with a rate of return of 10 percent and a subsurface discount of 50 percent (Transmittal 2).

| Exhibit                      | Sq. ft. | Land Value | Return | Subsurface Discount | Yearly Amount      |
|------------------------------|---------|------------|--------|---------------------|--------------------|
| 44786-2                      | 1,675   | \$ 30.00   | 10%    | 50%                 | \$ 2,512.50        |
| 5-4767-1                     | 1,656   | \$ 30.00   | 10%    | 50%                 | \$ 2,484.00        |
| <b>Proposed Compensation</b> |         |            |        |                     | <b>\$ 4,996.50</b> |

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an Order resetting compensation, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The Order resetting compensation under P870 with SCGC will result in an annual increase in revenue of 11.2 percent. Total compensation over the five-year period is estimated to be \$26,263.25, assuming a 2.5 percent annual CPI adjustment.

DATE: OCTOBER 16, 2018

PAGE 3 OF 3

SUBJECT: COMPENSATION RESET UNDER PERMIT NO. 870 WITH SOUTHERN CALIFORNIA GAS COMPANY

**CITY ATTORNEY:**

The Order resetting compensation under P870 has been approved as to form and legality by the Office of the City Attorney.


**TRANSMITTALS:**

1. Site Map
2. Order

FIS Approval: MB  
CA Approval: JMC



JACK C. HEDGE  
Director of Cargo & Industrial Real Estate



MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

JH:PA:TY:raw  
Author: Tony Yeh  
BL754raw So Cal Gas Comp Reset