



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

DATE: DECEMBER 17, 2014

FROM: REAL ESTATE

SUBJECT: ORDER NO. _____ - RESETTING COMPENSATION UNDER PERMIT NO. 513 WITH UNITED STATES OF AMERICA THROUGH NAVAL FACILITIES ENGINEERING COMMAND, SOUTHWEST

SUMMARY:

Permit No. 513 (Permit) grants the United States of America, through the Department of the Navy (US Navy), 91,203 square feet of surface and subsurface right-of-way for a petroleum pipeline on City of Los Angeles Harbor Department (Harbor Department) land and water primarily located on Terminal Island. The Permit is for a term of 50 years, effective November 26, 1984 through November 25, 2034. The Permit requires that compensation be reset every five years.

The proposed Order resetting compensation at \$85,900 annually is for the five-year period of November 26, 2014 through November 25, 2019.

RECOMMENDATION:

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

1. Approve the Order resetting compensation under Permit No. 513 for the five-year period November 26, 2014 through November 25, 2019;
2. Authorize the Board Secretary to attest to the Order resetting compensation to be paid by the United States of America through the Department of the Navy, Naval Facilities Engineering Command, Southwest Division, San Diego pursuant to Section 4(c) of Permit No. 513; and
3. Adopt Order No. _____.

DISCUSSION:

Background/Context – The Permit premises (Transmittal 1), as identified on Harbor Engineer's Drawing No. 1-2491-1 (Transmittal 2), consists of 91,203 square feet of surface and subsurface right-of-way for a petroleum pipeline. The entire pipeline extends from the Port of Long Beach through Harbor Department property (Terminal Island, the Main Channel, and San Pedro) to a Defense Energy Support Center on North Gaffey Street, San Pedro.

SUBJECT: PROPOSED COMPENSATION RESET FOR UNITED STATES NAVY P513

The Permit requires that annual compensation be reset and agreed upon by both parties every five years, following the first ten-year period of the Permit. Reset for the five-year period of November 26, 2014 to November 25, 2019 is now due (Transmittal 3). Although compensation reset negotiations commenced in a timely fashion, completion did not conclude until after the November 26, 2014 reset date. Therefore, the proposed fixed rent compensation rate will be applied retroactively.

Current Compensation – In the years following 1999, the US Navy and the Harbor Department were at an impasse regarding the resetting of compensation, resulting in the September 2013 Settlement Agreement, in which the US Navy and the Harbor Department agreed to the compensation terms for the following five-year periods:

\$381,101 for 1999 to 2004
\$280,000 for 2004 to 2009
\$395,000 for 2009 to 2014

Proposed Compensation – It is proposed that for the five-year period of November 26, 2014 through November 25, 2019, compensation be set at \$429,500, with an annual payment of \$85,900, representing an increase of 8.7 percent from the previous compensation period. This equals a net increase of \$34,500 for the five-year period, or an annual increase of \$6,900 per year. The proposed compensation meets the Board's required rate of return on the land value derived from a review of market trends for the South Bay area published by CBRE Global Research and Consulting and employing the method and concepts provided in the appraisal for the previous 2009 compensation values.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the resetting of compensation under Permit No. 513 with the US Navy for the five-year period of November 26, 2014 through November 25, 2019. As an administrative activity, 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(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

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

FINANCIAL IMPACT:

Approval of the proposed compensation reset results in a five-year total rental compensation to the Harbor Department of \$429,500 based on annual payment of \$85,900 for the 2014 to 2019 five-year period.

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CITY ATTORNEY:

The Order setting compensation under Permit No. 513 has been reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Location Map
2. Engineering Drawing
3. Order

FIS Approval:  (Initials)
CA Approval:  (Initials)


JACK C. HEDGE
Director of Real Estate


DAVID L. MATHEWSON
Interim Deputy Executive Director

APPROVED:


EUGENE D. SEROKA
Executive Director

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