



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: AUGUST 1, 2012**

**FROM: REAL ESTATE**

**SUBJECT: PROPOSED ORDER NOS. \_\_\_\_\_ - APPROVING  
ASSIGNMENT OF JOINT PERMIT NO. 790 AMONG THE CITY OF LOS  
ANGELES HARBOR DEPARTMENT, THE PORT OF LONG BEACH,  
AND PACIFIC PIPELINE SYSTEM, INC. TO PACIFIC PIPELINE  
SYSTEM LLC; ORDER SETTING COMPENSATION UNDER JOINT  
PERMIT NO. 790; AND APPROVING PROPOSED AGREEMENT –  
LAHD NO. 70073**

**SUMMARY:**

Pacific Pipeline System, Inc. has a longitudinal petroleum pipeline under Joint Permit (JP) No. 790 with a 30-year term (September 1997 - September 2027), with two additional ten-year options. Pacific Pipeline System, Inc. has requested that the City of Los Angeles Harbor Department (Harbor Department) consent to the transfer of JP No. 790 to Pacific Pipeline System LLC (Pacific Pipeline). In addition to the proposed Order consenting to the assignment of JP No. 790, is an Order that retroactively resets annual compensation to be paid under JP No. 790 for the five-period of November 14, 2007 through November 13, 2012 at \$13,980 (increased from \$8,713).

The Port of Long Beach (POLB) does not utilize Orders for items approved by its Board of Harbor Commissioners; therefore, the POLB requested that the Harbor Department enter into an agreement with POLB and Pacific Pipeline in order to meet POLB's approval requirements.

**RECOMMENDATION:**

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

1. Approve the proposed Order consenting to transfer Joint Permit No. 790 from Pacific Pipeline System, Inc. to Pacific Pipeline System LLC;
2. Approve the proposed Order retroactively setting compensation under Joint Permit No. 790 for the five-period of November 14, 2007 through November 13, 2012;
3. Approve the proposed Agreement with Pacific Pipeline System LLC and the Port of Long Beach consenting to the transfer and retroactive setting of compensation of Joint Permit No. 790;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Orders and Agreement; and
5. Adopt Resolution No. \_\_\_\_\_.

**SUBJECT: PROPOSED ORDERS ASSIGNING AND SETTING COMPENSATION -  
FOR JOINT PERMIT NO. 790 WITH PACIFIC PIPELINE SYSTEM LLC;  
AND APPROVING AGREEMENT**

**DISCUSSION:**

Background – On December 22, 1994, the Harbor Department and POLB jointly purchased properties along the former Southern Pacific Railroad (SPRR) and Union Pacific Railroad (UPRR) right-of-way (ROW) in the County of Los Angeles as part of the Alameda Corridor construction project. The SPRR ROW was acquired to serve as the main rail line for the Alameda Corridor. The UPRR ROW was acquired to serve as a possible alternative route for the Alameda Corridor. All railroad properties purchased are held by the Harbor Department and POLB as tenants in common, each holding an undivided 50 percent interest in the property. In addition, the Harbor Department and POLB became successors-in-interest to all the railroad agreements, leases, and licenses related to the acquired railroad ROW, including a longitudinal pipeline lease with Pacific Pipeline (Transmittal 4).

Proposed Orders – There are two Orders for JP No. 790: (1) an Order for the purpose of consenting to the transfer of JP No. 790 from Pacific Pipeline System, Inc. to Pacific Pipeline System LLC (Transmittal 1); and (2) an Order for the purpose of retroactively setting annual compensation for the five-period of November 14, 2007 through November 13, 2012 at \$13,980 (Transmittal 2). The annual compensation for 13,980 square feet of subsurface land will be \$13,980 per year for JP No. 790. Compensation is based on receiving a ten percent rate of return on a negotiated land value of \$20 per square foot, with a subsurface discount of 50 percent. The proposed compensation conforms to the Board's adopted rate of return policy of ten percent on land.

Agreement for JP No. 790 – The proposed Agreement (Transmittal 3) with POLB and Pacific Pipeline is for the purpose of consenting to the transfer of JP No. 790 from Pacific Pipeline System, Inc. to Pacific Pipeline System LLC and retroactively setting annual compensation from \$8,713 to \$13,980. Since POLB does not utilize Orders to consent to such transfers or reset compensation, an Agreement was prepared whereby the Harbor Department and POLB, as joint property owners, consent to the transfer and retroactive setting of compensation under JP No. 790.

The POLB, through its Board of Harbor Commissioners, approved the proposed Agreement at its meeting held on March 19, 2012.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an order to transfer JP No. 790 from Pacific Pipeline System, Inc. to Pacific Pipeline System LLC and an Order to retroactively reset compensation. As an administrative activity, the Director of Environmental management has determined that 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.

SUBJECT: PROPOSED ORDERS ASSIGNING AND SETTING COMPENSATION - FOR JOINT PERMIT NO. 790 WITH PACIFIC PIPELINE SYSTEM LLC; AND APPROVING AGREEMENT

ECONOMIC BENEFITS:

This Board action will have no direct employment impact for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed Order setting compensation will retroactively adjust Pacific Pipeline's fixed compensation under JP No. 790 at \$13,980 annually for the period of November 14, 2007 through November 13, 2012. As a result, Pacific Pipeline will make a one-time payment for the difference between the rent paid during the period mentioned above and the new rent payable under the retroactive resetting compensation Order within 30 days after the effective date of the Order. This one-time payment is estimated at \$21,068, of which the Harbor Department will receive 50 percent (\$10,534). Thereafter, Pacific Pipeline will pay an annual rent of \$13,980, of which the Harbor Department will receive 50 percent (\$6,990) of the adjusted annual compensation under JP No. 790.

CITY ATTORNEY:

The proposed Orders and Agreement have been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. Order for Assignment
- 2. Order Setting Compensation
- 3. Agreement
- 4. Aerial Site Map

  
 JACK C. HEDGE  
 Director of Real Estate

FIS Approval: WR (initials)  
 CA Approval: CRB (initials)

  
 FOR KATHRYN McDERMOTT  
 Deputy Executive Director

APPROVED:  
  
 GERALDINE KNATZ, Ph.D.  
 Executive Director