



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

Board of Harbor Commissioners

**DATE: SEPTEMBER 19, 2012**

**FROM: REAL ESTATE**

**SUBJECT: ORDER NO. \_\_\_\_\_ - PROPOSED RESETTING OF  
COMPENSATION UNDER PERMIT NO. 238 WITH EQUILON  
ENTERPRISES, LLC DBA SHELL OIL PRODUCTS US**

**SUMMARY:**

Permit No. 238 grants Equilon Enterprises, LLC (Equilon) dba Shell Oil Products US use of approximately 50,965 square feet (s.f.) of City of Los Angeles Harbor Department (Harbor Department) land located along Fries Avenue, between Falcon Street and Pier A Street, on Mormon Island for the construction, maintenance, and operation of subsurface petroleum pipelines. Permit No. 238 has a 50-year term, expiring May 17, 2022, with compensation to be reset every five years. The proposed annual compensation will be retroactively set at \$73,899 annually for the five-year period of May 18, 2012 to May 17, 2017.

**RECOMMENDATION:**

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

1. Approve the Order resetting compensation under Permit No. 238 with Equilon Enterprises, LLC dba Shell Oil Products US for the five-year period of May 18, 2012 through May 17, 2017;
2. Authorize the Board Secretary to attest to the Order resetting compensation pursuant to Permit No. 238; and
3. Adopt Order No. \_\_\_\_\_.

**DISCUSSION:**

Background – Permit No. 238 has a 50-year term, from May 18, 1972 to May 17, 2022. The premises consist of subsurface land with pipelines, gate valves, and appurtenances owned by Equilon (Transmittal 1).

The Harbor Department has established a discount of 50 percent for subsurface and aerial use of Harbor Department land. As such, all existing and new permits will be modified to reflect such discount at the time of resetting of compensation, or issuance of successor or new permits.

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Consequently, the proposed compensation for Permit No. 238 is based on an adjustment of the subsurface discount from 75 percent to 50 percent in order to align it with all other permits that are accorded such discount.

Current Compensation – Compensation for land rent under Permit No. 238 is currently set at \$36,950 per year, based on a land value of \$29 per s.f., with a 10 percent rate of return and a 75 percent subsurface discount for 50,965 s.f. of land.

Proposed Compensation – Annual land rent under Permit No. 238 will increase from \$36,950 to \$73,899 based on a decrease of the subsurface discount from 75 percent to 50 percent (Transmittal 2). No increase in the dollar per s.f. rate for the same 50,965 s.f. is necessary at this time, as Equilon's rate is within the range of current market rates.

Insurance Requirements – The Risk Management Division reviewed the existing insurance requirements under Permit No. 238 and determined that an increase in the insurance limits is warranted. Pursuant to Section 6, Public Liability Insurance, the Executive Director may increase or decrease the insurance limits under Permit No. 238 upon 90 days notice. The Real Estate Division will coordinate with the tenant to ensure the appropriate insurance documentation is provided to the Risk Management Division.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an Order resetting compensation under Permit No. 238 with Equilon. 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:**

Approval of the proposed Order resetting compensation will retroactively adjust Equilon's fixed compensation under Permit No. 238 at \$73,899 annually for the period of May 18, 2012 through May 17, 2017. As a result, Equilon will make a one-time payment for the difference between the rent currently paid 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 will be calculated by dividing the current and proposed annual rental rates by 365 days, then taking the difference between the current and proposed annual per day figures and multiplying it by the number of days beyond May 17, 2012. Thereafter, Equilon will pay an annual rent of \$73,899.

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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. Site Map
2. Order

FIS Approval:    (initials)  
CA Approval:    (initials)

*for*  
  
JACK C. HEDGE  
Director of Real Estate

*for*  
  
KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:

  
GERALDINE KNATZ, Ph.D.  
Executive Director

GK:KM:JH:AB:ER:FFS:mnm  
Author: F. Sanchez  
BL424mnm Equilon Comp Order