



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 4, 2019

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE PERMIT
NO. 943 WITH CRIMSON CALIFORNIA PIPELINE, L.P., A CALIFORNIA
LIMITED PARTNERSHIP**

SUMMARY:

Staff requests approval of the proposed Permit No. 943 (P943) with Crimson California Pipeline, L.P. (Crimson), a California limited partnership, for a term of 20 years to occupy 2,259 square feet of subsurface pipeline right-of-way in East Wilmington. Currently, these premises are occupied on holdover under Permit No. 736 (P736) and generate \$2,942 in annual rental revenue. Under the proposed P943, annual rental revenue would increase by \$1,382 to \$4,324 per year, subject to annual increases based on the Consumer Price Index (CPI-U).

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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(18) of the Los Angeles City CEQA Guidelines;
2. Approve Permit No. 943 with Crimson California Pipeline, L.P.;
3. Direct the Board Secretary to transmit Permit No. 943 to the City Council for approval pursuant to Charter Section 606 of the City Charter;
4. Authorize the Executive Director to execute and the Board Secretary to attest to Permit No. 943 upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – Under P736, effective July 1, 1993, Texaco California Pipelines, Inc. was granted occupancy of the premises for the construction, operation, and maintenance of subsurface pipelines for transportation of petroleum products (Transmittal 1). Through various assignments, Crimson is now successor in interest of the premises. P943 (Transmittal 2) will supersede P736, which is on holdover status.

Crimson is considered a common carrier, which means it provides transportation of petroleum products to or for multiple parties, as opposed to a proprietary pipeline system that transports petroleum products to or for a single, private party. As a

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common carrier, Crimson is regulated by the California Public Utilities Commission (CPUC). Therefore, its rent structure is unique wherein a component of rent (i.e. rent on the area that the pipeline physically occupies) is set using rates in the Public Utilities Code (PUC) as described below. Staff has reviewed supporting documents and verified with the CPUC confirming the common carrier status of Crimson's pipeline.

Material terms of the proposed Permit are as follows:

<u>Provisions</u>	<u>Description</u>
Real Estate Entitlement	Term Permit
Permitted Use	Maintenance and operation of existing subsurface pipeline for the transportation of crude oil
Term	20 years
Effective Date	Upon approval by Board and Los Angeles City Council
Premises	301 square feet, subsurface pipeline <u>1,958</u> square feet, remaining subsurface right-of-way
Total	2,259 square feet, subsurface pipeline right-of-way
Compensation Rate	Rent to be paid up front on an annual basis \$0.71 per square foot per year – subsurface pipeline ¹ \$2.10 per square foot per year – remaining subsurface right-of-way ²
Annual Rent	Subsurface Pipeline \$213 Remaining Subsurface Right-of-Way <u>\$4,111</u> Total \$4,324
Rental Adjustments	1. Annual CPI-U adjustment 2. Five-year rate adjustment
Maintenance	Tenant is responsible for maintaining the premises and all improvements, at its sole cost and expense
Rules Governing Pipelines	Permit includes stringent requirements regarding pipeline testing and inspections in compliance with all applicable laws, rules, and regulations
Insurance	Insurance provision includes all standard insurance requirements, including Environmental Impairment Liability Insurance
Relocation Right	Board has the right to require Tenant to relocate pipelines at Tenant cost or City may relocate pipelines at Tenant cost
Security Deposit	\$1,081 (3 months' rent), in cash or letter of credit
Notes:	¹ Rate for the subsurface pipeline is based on common carrier rate set forth in the PUC Section 6231.5. ² Rate for the remaining subsurface right-of-way is calculated using a 10% rate of return (as required in the Port's Leasing Policy) on land values of \$42.00 per square foot with a 50% subsurface discount. Staff confirmed the land values used to derive the rate are consistent with the Market in the area.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of P943 with Crimson for the maintenance and operation of pipelines, which is the issuance of a permit granting use of subsurface pipelines serving industrial or commercial facilities in the Harbor District involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the CEQA in accordance with Article III Class 1(18) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The attached Board report requests approval of Permit No. 943 with Crimson for a term of 20 years to occupy 2,259 sf of subsurface pipeline right-of-way in East Wilmington. The proposed Permit will generate rent of \$4,324.00 per year, with annual adjustments based on CPI-U. Currently, annual rent of \$2,942.00 is generated by the subsurface pipeline premises, and the proposed rent in Year 1 of \$4,324.00 would represent an increase of \$1,382.00, or 47 percent relative to the annual rent currently received by the Harbor Department. While the PUC rate is lower than the Harbor Department's rate based on land values, it only results in \$420 less than the annual revenue that would otherwise have been generated under the Harbor Department's traditional rent structure.

CITY ATTORNEY:

Permit No. 943 has been reviewed and approved as to form and legality by the Office of the City Attorney.

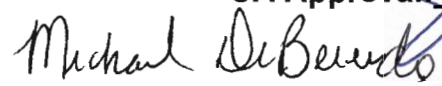
TRANSMITTALS:

- 1. Site Map and Vicinity Map
- 2. Permit No. 943

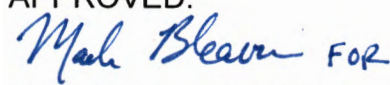


MARISA L. KATNICH
Director, Cargo & Industrial Real Estate

FIS Approval: 
CA Approval: 


MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director