



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

DATE: AUGUST 21, 2024

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ APPROVE ORDER
RESETTING COMPENSATION UNDER PERMIT NO. 936 WITH PBF
ENERGY WESTERN REGION LLC

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No.936 with PBF Energy Western Region LLC, a wholly owned subsidiary of PBF Energy (collectively referred to as "PBF"). The proposed compensation reset is for the five-year period commencing July 1, 2024, for the use of Berths 238-239 in Terminal Island, as a marine oil terminal.

Under the proposed action, PBF's minimum annual land rent will increase by \$491,996, or 6.75 percent, from \$7,291,644 to \$7,783,640 effective July 1, 2024. Thereafter, annual rent will increase by the year-over-year change in the Consumer Price Index (CPI). In addition to the annual minimum land rent, PBF will continue to be financially responsible for payment of all tolls and charges pursuant to Port of Los Angeles Tariff No. 4.

The applicable five-year compensation reset was due on July 1, 2024; consequently, PBF has agreed and will be assessed the compensation reset retroactively to July 1, 2024.

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. 936 with PBF Energy Western Region LLC.;
3. Authorize the Board Secretary to attest to the Order resetting compensation under Permit No. 936; and
4. Adopt Resolution No. _____ and Order No. _____.

DISCUSSION:

Background: PBF was granted a 30-year term permit, commencing July 1, 2019, and expiring June 30, 2049. Permit No. 936 allows PBF the use of Harbor Department

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property for the operation of a marine liquid bulk terminal. PBF currently occupies a total of 45.55 acres at Berths 238-239 in Terminal Island, as a marine oil terminal (Transmittal 1).

Permit No. 936 requires that compensation be reset every five years. Staff and PBF have come to an agreement for the five-year compensation reset (Transmittal 2). PBF has agreed to the compensation reset effective retroactive to July 1, 2024.

Proposed Action: Staff requests Board approval of the Order resetting compensation under Permit No. 936 with PBF. The proposed compensation reset is described below:

	Existing	Proposed
Effective Date/ Applicable Period	July 1, 2019 – June 30, 2024	July 1, 2024 – June 30, 2029
Rental Rate	\$40.00/square foot waterfront land 50 percent discount of applicable land value for subsurface land rights	\$50/square foot waterfront land 50 percent rate discount of applicable land value for subsurface land rights
Effective Annual Land Rent	\$7,291,644	\$7,783,640 Payable quarterly in an amount of \$1,945,910
Annual Land Rent Increases	CPI	No change
Wharfage and Dockage Fees	Pursuant to Tariff No.4	No change

The above proposed rates are consistent with other similar tenant agreements and represent current fair market values for industrial land real estate transactions in the area.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation with PBF under Permit No. 936, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Order will reset compensation under Permit No. 936 with PBF for the five-year period of July 1, 2024 through June 30, 2029. Under the proposed action, PBF’s minimum annual land rent will increase by \$491,996, or 6.75 percent, from \$7,291,644 to \$7,783,640 effective July 1, 2024. Thereafter, minimum annual rent will increase by the year-over-year change in the CPI.

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In addition to the above-identified compensation, PBF will continue to pay all applicable charges under Tariff No. 4 for the use of its assigned premises. In the compensation year 2023, PBF generated \$289,998 in dockage revenues and \$1,006,566 in wharfage revenues.

CITY ATTORNEY:

The proposed Order was reviewed and approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Order – Permit No. 936

Michael J. Galvin
MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval: *JS*

CA Approval: *JC*

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director

MG:EP:KK:ga
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BL1049ga PBF Comp Reset 2024