

ADMINISTRATIVE EXEMPTION and TRADE, TRAVEL, AND TOURISM COMMITTEE REPORT relative to amending the Port of Los Angeles (POLA) Permit with Shell Oil Company (Shell) for the use of POLA property for the construction, operation, and maintenance of a marine oil terminal and storage tanks.

Recommendations for Council action:

1. ADOPT the determination by the Board of Harbor Commissioners that the proposed action is administratively exempt under the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.
2. APPROVE POLA Resolution No. 18-8408 authorizing proposed Permit No. 916 with Shell for the use of 11.57 acres at Berth Nos. 167-169 for the construction, operation, and maintenance of a marine oil terminal and storage tanks, for an annual rent of approximately \$1.6 million adjusted in accordance with the Consumer Price Index.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approving the proposed POLA permit, will ensure that Shell will continue its marine oil terminal in the Port of Los Angeles and continue to pay the POLA a fixed rental compensation for land rent of approximately \$1.6 million. The POLA estimates that construction of the new wharf projects to comply with the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) will cost up to \$33,136,410. The POLA will invest up to \$7.5 million and Shell will invest approximately \$25,636,410. The POLA will be responsible for paying for any costs that exceed \$33,136,410. The proposed compensation will meet POLA's rate of return for land and improvements. The proposed permit is for 30 years, and will supersede existing Permit No. 614, upon execution. During Fiscal Year 2017-18, Shell paid revenue to the POLA in the amount of \$3,077,840. Shell will be responsible for all costs associated with property maintenance and operation, including to payment for project features in the permit.

Community Impact Statement: None submitted.

TIME LIMIT FILE – MARCH 22, 2019

(LAST DAY FOR COUNCIL ACTION – MARCH 22, 2019)

SUMMARY

In a report to the Mayor dated February 13, 2019, the CAO states that POLA requests approval of a permit to grant Shell a 30-year lease agreement for the continued use of 11.57 acres of POLA property (land and water) at Berths 167-169 to construct, operate, and maintain marine oil terminal and storage tanks. POLA states that the permit is necessary to comply with the MOTEMS project. MOTEMS establishes and regulates minimum engineering, inspection, oversight, maintenance and upgrade criteria for marine oil terminals and oil spills to protect public health, safety and the environment. MOTEMS requires all marine oil terminals to undergo an audit to determine the fitness of the marine structures, and needed repairs and upgrades for wharfs, piping, electrical and mechanical systems.

According to the CAO, MOTEMS audited the marine oil terminal at Shell to determine the fitness of the marine structures, embankment, piping, electrical, mechanical, and fire suppression equipment. POLA states that the existing wharves at Berths 167-169 have experienced extensive deterioration and have been classified as unfit and in need for service by MOTEMS. As a result of the age of the wharves, POLA believes that bringing the marine oil terminal in compliance with MOTEMS would be difficult and instead is recommending to replace, repair, and renovate the structure to bring it up to code.

The CAO goes on to report that POLA and Shell have reached a proposed agreement to implement the MOTEMS wharf improvement project. This includes the approval of the proposed 30-year permit to continue the operation of the Berths 167-169 marine oil terminal, tank farm, and underground pipelines. The rental rate paid by Shell for the wharves is approximately \$900,000 each year for each berth. The rental rate for the wharves will continue until Shell fulfills a 12 percent rate of return on land on the POLA's investment of \$7.5 million per wharf structure. Afterward, the permit includes provision for the elimination of the minimum wharf rent obligation when POLA achieves the 12 percent target rate of return from the POLA's investment of \$7.5 million. POLA expects to achieve the rate of return between eight to eleven years, depending on the throughput (production) volumes and related tariff charges paid by Shell. Also, Shell will be responsible for MOTEMS requirements related to compliance with regulations and improvements for the property, including but not limited to, the wharf structure, property maintenance and operation, and other project features, except those as prescribed in the permit.

On December 18, 2018, the Board of Harbor Commissioners approved POLA's request. The CAO concurs with this action.

At its meeting held March 5, 2019, the Trade, Travel, and Tourism Committee recommended that Council approve the proposed POLA permit with Shell, as recommended by the Board of Harbor Commissioners and the CAO.

Respectfully Submitted,

TRADE, TRAVEL, AND TOURISM COMMITTEE


MEMBER VOTE

BUSCAINO: YES

BONIN: YES

KREKORIAN: YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-