

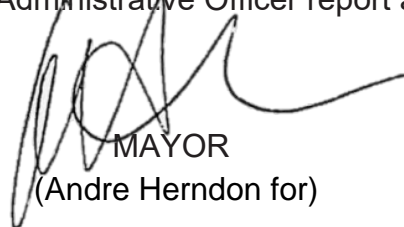
0150-11137-0002

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 03/04/2022	COUNCIL FILE NO. 18-0692-S1
FROM The Mayor	COUNCIL DISTRICT 15	

**PROPOSED FIRST AMENDMENT TO PERMIT NO. 916 WITH SHELL OIL COMPANY TO INCLUDE ADDITIONAL WHARF IMPROVEMENTS**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.



MAYOR  
(Andre Herndon for)

MWS:JCY:10220034t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: February 24, 2022

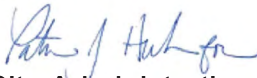
CAO File No. 0150-11137-0002

Council File No. 18-0692-S1

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer



Reference: Correspondence from the Harbor Department dated August 26, 2021; referred by the Mayor for report September 15, 2021

Subject: **PROPOSED FIRST AMENDMENT TO PERMIT NO. 916 WITH SHELL OIL COMPANY TO INCLUDE ADDITIONAL WHARF IMPROVEMENTS**

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### RECOMMENDATIONS

Approve Harbor Department (Port) Resolution No. 21-9881 authorizing the proposed First Amendment to Permit No. 916 with Shell Oil Company to include construction of additional improvements of the Shell-occupied wharf at the Port of Los Angeles; and, return the Resolution documents to the Port for further processing, including Council consideration.

### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 21-9881 authorizing the proposed First Amendment (Amendment) to Permit No. 916 (Permit) with Shell Oil Company (Shell) to include construction of additional improvements to the Shell Marine Oil Terminal at the Port of Los Angeles (POLA). Shell is responsible for the cost of these improvements, up to \$183,929. Except for this provision change, all other terms and conditions of the Permit will remain in effect, including the term, which is valid through March 25, 2049.

Shell operates a marine oil terminal at the Port of Los Angeles (POLA), storing, distributing, and providing for the berthing of vessels to unload and load liquid bulk products under a 30-year agreement initiated on March 26, 2019 (C.F. 18-0692-S1). Under the current Permit, Shell leases 12.1 acres of land and wharf at Berths 167-169. The Port negotiated and signed the current Permit with Shell in order to include construction of replacement wharves, platforms and marine structures at Berths 167-169 to meet Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) as required by the California State Lands Commission (State Lands). The current Permit superseded Permit No. 634, which was a 35-year lease agreement initiated in February 1988 and set to expire in February 2023 (C.F. 93-0390, C.F. 18-0692). The Port estimates the cost of replacing structures at Berths 167-169 to meet MOTEMS to be \$33,136,410 and agreed under

the Permit to contribute a minimum of \$7.5 million to help finance the construction cost, with Shell contributing a maximum of \$25,636,410. Under the terms of the Permit, Shell will offset the cost of the Port's contribution under a Wharf Rent schedule to commence once the construction is complete. The Board approved a 480-day construction contract with Jilk Heavy Construction Inc. (Jilk) at its meeting on May 6, 2021 to complete a MOTEMS-compliant wharf at Berths 167-169. The Port selected Jilk subsequent to a competitive bidding process in accordance with Charter Section 371(a).

The proposed Amendment to the Permit authorizes the Port to construct additional improvements related to fire-life safety and electrical work for the MOTEMS-compliant upgrades, at a cost of \$183,929. Shell will pay the Port for the additional work upon invoicing. The cost of this construction is in addition to Shell's maximum contribution of \$25,636,410 for the MOTEMS-compliant work. The Port reports that Jilk can perform this additional work under the Port's current contract without changing the scope of work. The Port has budgeted \$14 million in the Harbor Revenue Fund under Capital Construction Services for the Jilk contract in 2021-22.

Shell is the United States-based wholly owned subsidiary of Shell plc, which is among the largest oil companies in the world. Shell has headquarters in Houston, Texas. According to the Port, the Shell Marine Oil Terminal has been in operation at Berths 167-169 since 1923.

The City Attorney has approved the proposed Amendment as to form and legality. The Port states that the proposed Amendment and Permit are in compliance with all applicable provisions of City Ordinance and permit requirements. In accordance with Charter Section 606, the Amendment requires Council approval because the term exceeds five years. The Port states that the proposed action is the amendment of a permit for the construction, operation and maintenance of a marine oil terminal and storage tanks, which is an activity for which the underlying project has been previously assessed pursuant to the California Environmental Quality Act (CEQA) in the Berths 167-169 [Shell] Marine Oil Terminal Wharf Improvements Project Final Environmental Impact Report (SCH # 2015061102), which was certified by the Board on August 23, 2018. Therefore, the Port Director of Environmental Management has determined that the proposed action has been previously evaluated pursuant to the requirements of CEQA in accordance with Article II, Section 2(i) of the Los Angeles CEQA Guidelines.

## **FISCAL IMPACT STATEMENT**

The proposed First Amendment (Amendment) to Permit No. 916 (Permit) with Shell Oil Company (Shell) to include construction of \$183,929 in additional improvements to the Shell Marine Oil Terminal at the Port of Los Angeles, funds for which have already been budgeted in the Harbor Revenue Fund. Additionally, Shell is obligated to pay the Port for the cost of the construction upon invoicing. No additional appropriation of funds is required. The proposed terms meet Port leasing and financial policies. There is no impact on the City General Fund.