

# CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

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August 9, 2016

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for the First Amendment to Lease No. 34221 between the City of Long Beach and Ultramar, Inc., a Nevada corporation, dba Valero Wilmington Refinery (Valero), for City-owned Oil Set-Aside property at 2402 East Anaheim Street, Wilmington, California. (Citywide)

## DISCUSSION

The City owns an approximate five-acre parcel of land, located near the Port of Long Beach, commonly known as the North Strip, at 2402 East Anaheim Street in Wilmington, California. The North Strip contains four City-controlled oil wells managed by the Long Beach Gas and Oil Department (LBGO). Located next to Valero's refinery, and formerly managed by the City's Harbor Department, the North Strip has been leased to Valero for various periods of time since 2005 for parking purposes in conjunction with its operations.

In early 2016, Valero approached the City for lease of the North Strip for a construction project (Project) scheduled to commence on April 1, 2016. The Project provides for the construction of a new co-generation unit which helps to mitigate the cost of purchased power. As customary, the North Strip would be needed for parking for contractors and equipment during the Project.

On September 17, 2013, the City Council authorized the City Manager to execute all documents necessary for real property occupancy agreements with public or private parties for terms not to exceed six-months with one six-month extension. This authority allows the City to execute agreements in an expeditious manner when occupancy is needed quickly. This also increases the opportunities to generate revenue from the short-term use of surplus/vacant City property. Under this authority, on March 29, 2016, the City executed Lease No. 34221 with Valero for use of the North Strip.

The Project commenced on April 1, 2016 and Valero estimates an 18-24 month timeframe for completion. Existing City Council authority provides for a maximum term of one year. City Council approval is required to extend the term of the Lease beyond a year. While the North Strip is in use by Valero, LBGO is able to continue to access its oil wells for service and maintenance. LBGO is supportive of Valero's continued use of the North Strip for parking purposes for the duration of the Project.

The proposed First Amendment to Lease No. 34221 will contain the following major terms and provisions:

- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Ultramar Inc., a Nevada corporation, dba Valero Wilmington Refinery.
- Term: The initial six-month term of the Lease shall be extended for an additional 18 months and shall terminate on March 31, 2018.
- Right to Terminate: Lessee shall have the right to terminate the Lease at any time by providing Lessor with a minimum of 30-days prior written notification. At this time, the construction project is expected to be completed sometime after September 2017.

The monthly rental rate of \$32,000 for the North Strip shall continue throughout the term of the Lease. All other remaining terms and provisions of Lease No. 34221 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 11, 2016 and by Revenue Management Officer Julissa José-Murray on July 18, 2016.

#### TIMING CONSIDERATIONS

City Council action is requested on August 9, 2016, to execute the First Amendment in a timely manner.

#### FISCAL IMPACT


Monthly lease revenue in the amount of \$32,000 shall continue to accrue to the Tidelands Oil Revenue Fund (NX 420) in the Long Beach Gas and Oil Department (GO). There is no local job impact associated with this recommendation.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



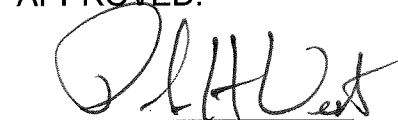
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MPC:JLR



BOB DOWELL  
DIRECTOR OF  
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APPROVED:



PATRICK H. WEST  
CITY MANAGER