



AGENDA MEMORANDUM

First Reading for the City Council Meeting of February 14, 2017
Second Reading for the City Council Meeting of February 21, 2017

DATE: January 20, 2017

TO: Margie C. Rose, City Manager

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<p>Granting a Revocable Easement and Temporary Construction Easement on four (4) City owned properties</p>

CAPTION:

Ordinance accepting and appropriating \$97,145.58 of revenue from DCP Sand Hills Pipeline, LLC; authorizing the City Manager or designee to execute a Revocable Easement and a Temporary Construction Easement to DCP Sand Hills Pipeline, LLC to construct, operate, maintain, repair and remove one 10 inch pipeline.

PURPOSE:

The ordinance conveys a Revocable Easement and a Temporary Construction Easement to DCP Sand Hills Pipeline, LLC to allow construction of a pipeline on four City owned properties, three near Hearn's Ferry Road in Nueces County and one on U.S. Highway 77 in San Patricio County. It also appropriates the compensation into the applicable accounts for City use.

BACKGROUND AND FINDINGS:

DCP Sand Hills Pipeline, LLC (DCP) is preparing to construct a 68 mile, 10-inch high pressure natural gas line from Flint Hills Refinery in Corpus Christi to Three Rivers and has requested easements from property owners along the route. DCP identified approximately 185 parcels, four owned by City as shown on the attached Exhibits. Three City parcels are near Hearn's Ferry Road where the City police shooting range is located. The fourth parcel is in San Patricio and used for the Mary Rhodes Pipeline. The proposed pipeline is planned at a minimum depth of 48-inches with construction by a combination of "open cut" trenches and horizontal directional bore. There will be no valves or other fixtures within the City's properties. The scope and locations were coordinated and approved by City's Water Department, Police Department, and Department of Engineering.

The total compensation value of the revocable easement and temporary construction easement was calculated by the City Land Acquisition staff in the amount of \$97,145.58. The value was based on three variables; pipe size (diameter), pipe length, and easement surface area. These type easements are typical for oilfield applications using a "per rod" or "per foot" unit value of \$2.00 per inch of the outside diameter for each pipe. The easement values are calculated based on the surface area and discounted against the property value at 75% for revocable easements with only 12% for temporary construction easements per year. The easement surface area varies with the locations and maintenance access requirements for each parcel.

The City properties were appraised at \$1.50 per square foot. The following apportionment method and calculations are consistent with previous Revocable Easement conveyances granted by the City across City land:

A) Pipe Size, Length, and Quantity Fee:	
10-inch pipe X \$2.00/inch/foot	= \$20.00 per foot
\$20.00/foot X 1,356.52 feet	= <u>\$27,130.40</u>
B) Revocable Easement area fee (75% of the property value of \$1.50/SF):	
40,759 total SF x \$1.13 (property value)	= <u>\$46,057.67</u>
C) Temporary Construction Easement fee (12% of the property value of \$1.50/SF):	
60,639 SF x 12% x \$1.50 (property value)	= \$10,915.02 per year
\$10,915.02 per year / 2 (6 month project)	= <u>\$5,457.51</u>
(Planned construction duration is less than 6 month per parcel)	
D) Additional compensation (Cathodic Protection):	
New anode bed and test station (installed cost)	= <u>\$18,500</u>
(Recommend to control potential corrosion with two nearby metal pipelines)	
E) Total fee:	
Pipe Size, Length, and Quantity Fee:	\$27,130.40
Easement Area Fee:	\$46,057.67
Temporary Construction Easement:	\$ 5,457.51
Additional compensation	<u>\$18,500.00</u>

Total Just Compensation:

\$97,145.58

The easement is revocable by the City if DCP violates and fails to correct any of the laws, rules, or regulations of the Department of Transportation, Railroad Commission, and certain City ordinances. DCP will also fully indemnify the City against any and all liability, damage, loss claims and actions of any nature as stated in Section 12 of the attached Revocable Easement instrument. Authorization to convey or amend easements across City land is required by City Council. There is no title company participation required in the conveyance of this easement.

ALTERNATIVES:

Do not grant the easement. DCP Sand Hills Pipeline, LLC is a common carrier in the State of Texas with eminent domain rights. Failure to grant the easement to them could lead to eminent domain proceedings against the City. (Not Recommended)

OTHER CONSIDERATIONS:

DCP Sand Hills Pipeline, LLC required this Revocable Easement in order to construct the pipeline.

CONFORMITY TO CITY POLICY:

The ordinance conforms to the City Charter, Code of Ordinances, Article X, General Powers and Provisions, Section 1. The resolution and the motion adopting it conform to Senate Bill 18 (SB18), Chapter 21 of the Property Code, and Chapter 2206.052 of the Government Code.

The Revocable Easement instruments contain terms and conditions which pertain to construction standards and compliance with laws, including the City's Pipeline License Ordinance passed in 1993 under Ordinance No. 021776.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Engineering Services
Water Department
Police Department
Legal Department

FINANCIAL IMPACT:

Operating applicable

Revenue

Capital

Not

Fiscal Year 2015-2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item		\$97,145.58		\$97,145.58
BALANCE		\$97,145.58		\$97,145.58

Fund(s):

Comments: This is a revenue item. No expenditures are required.

RECOMMENDATION:

Approval of the Ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

- Ordinance
- Revocable Easement
- Temporary Construction Easement
- Council Exhibits (4)
- Location Map
- Presentation