

Meeting Date: 02/25/22
Lease Number: PRC 709
Lease Number: PRC 2036
Lease Number: PRC 7779
Lease Number: PRC 7780
Staff: A. Franzoia

Staff Report 33

LESSEE:

Hanson Marine Operations, Inc.

APPLICANT:

Martin Marietta Materials, Inc. and Hanson Marine Operations, LLC

ASSIGNOR:

Hanson Marine Operations, Inc.

ASSIGNEE:

Hanson Marine Operations LLC

PROPOSED ACTIONS:

Consent to Transfer of Parent Corporation of Lessee and Assignment of four
General Leases – Mineral Extraction

AREA, LAND TYPE, AND LOCATION:

A total of approximately 2,601 acres of submerged lands in San Francisco Bay;
Marin and San Francisco Counties for Lease Nos. PRC 709, PRC 2036, PRC 7779, and
PRC 7780 (collectively, the Leases)

AUTHORIZED USE:

Commercial sand and gravel extraction.

TERM:

10 years, beginning January 1, 2013.

CONSIDERATION:

Annual land rent of \$2.00 per acre, a minimum biannual royalty, with an annual Producer Price Index adjustment, and year end royalty adjustment based on the total cubic yardage of sand and gravel extracted for the biannual period.

SPECIFIC LEASE PROVISIONS:

- Insurance: For each lease, \$1,500,000 for personal liability and property damage insurance (combined single limit) and \$1,500,000 for an insurance policy for protection of water quality and the environment.
- Bond: The bond amount for the term of each lease is as follows:
 - PRC 709: \$74,850
 - PRC 2036: \$66,000
 - PRC 7779: \$102,000
 - PRC 7780: \$33,250

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6501.1, 6890, 6897, 6899, and 6900.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

On June 28, 2016, the Commission authorized the issuance of four General Leases – Mineral Extraction, PRC 709, PRC 2036, PRC 7779, and PRC 7780, of sovereign land for commercial sand and gravel extraction to Hanson Marine Operations, Inc. ([Item C33, June 28, 2016](#)). Those leases will expire on December 31, 2022. On December 23, 2020, Hanson Marine Operations, Inc. submitted an application for new leases. This application is currently being processed for consideration at a future Commission meeting.

The parties, Hanson Marine Operations, Inc., and Martin Marietta Materials, Inc., the parent company of Hanson Marine Operations, LLC, are requesting two proposed actions: first, **the Commission's** consent to the transfer of control of Hanson Marine Operations, Inc. to Martin Marietta Materials, Inc. and, second, assignment of the lease interests from Hanson Marine Operations, Inc. to Hanson Marine Operations, LLC.

Under Section 3 of the Leases, any reorganization of Hanson Marine Operation, Inc. or transfer of substantially all of Hanson Marine Operations, Inc.'s assets constitutes an assignment. On October 1, 2021, Martin Marietta Materials, Inc.

announced that it acquired Hanson Marine Operations, Inc. The acquisition transferred all the assets of Hanson Marine Operations, Inc. requiring an assignment under the leases. Therefore, the parties are now requesting an assignment of the Leases for the change in control of Hanson Marine Operations, Inc. Hanson Marine Operations, Inc. remains bound by the terms, conditions, covenants, and agreements contained in the Leases.

Martin Marietta Materials, Inc. is a publicly traded company, formed and headquartered in North Carolina, and is a member of the S&P 500 Index. Martin Marietta Materials, Inc. is a supplier of aggregates and heavy building materials, with operations spanning 26 states, Canada, and the Caribbean. Staff has reviewed Martin Marietta Materials, Inc.'s audited financial statements for the two most recently completed fiscal years and Securities and Exchange Commission filings from 2019, 2020, and 2021 and believes Martin Marietta Materials, Inc. has the assets, capital, and expertise to oversee Hanson Marine Operations, Inc.'s performance of the Leases. Staff recommends an assignment of the Leases to reflect the change in ownership. The assignment would be effective as of the date of transfer, October 1, 2021.

The Parties are also seeking an assignment of the lease interests from Hanson Marine Operations, Inc. to Hanson Marine Operations, LLC. After Martin Marietta Materials, Inc. acquired Hanson Marine Operations, Inc., it changed the corporation into a limited liability company. Martin Marietta Materials, Inc. seeks to reflect this change in the Leases. Staff has received and reviewed the materials regarding Hanson Marine Operations, Inc.'s change to a limited liability company. Because corporations and limited liability companies are different types of legal entities, they are governed differently. However, staff believes that this change will not negatively affect Hanson Marine Operations, LLC's ability to fulfill its lease obligations.

The proposed change in control and assignment of leases do not alienate the **State's fee simple interest in the underlying land**, nor will they permanently impair public rights. The proposed actions are limited to the remaining term of the 10-year lease and will require Hanson Marine Operations, LLC to insure the lease premises and indemnify the State for any liability incurred as a result of Hanson Marine Operations LLC's activities thereon.

CONCLUSION:

Approval of the transfer of parent control and the lease assignments will not result in a change in the use of, or impacts to, Public Trust resources at this location, at this time, and for the foreseeable term of the lease. For these reasons, staff

recommends finding that approval of the assignments is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. The Commission cannot unreasonably deny a change in control or an assignment to a qualified party. The Assignee is qualified to hold the lease and no information has been discovered that would provide a basis for withholding the assignment. Upon expiration or prior termination of the lease, neither the lessee nor the assignee has any right to a new lease or to renewal of any previous lease.
2. These action are consistent with the “Meeting Evolving Public Trust Needs” Strategic Focus Area of the Commission’s 2021-2025 Strategic Plan.
3. The change in control and the assignment of the leases are not projects as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBITS:

- A. Land Description
- B. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE’S BEST INTERESTS:

Find that the proposed transfer of parent control and assignment of the leases will not substantially interfere with Public Trust needs and values at this location, at this time, and for the remaining term of the leases; and is in the best interests of the State.

AUTHORIZATION:

1. Authorize the change in control of Hanson Marine Operations, Inc. to Martin Marietta Materials, Inc. of four Leases, PRC 709, PRC 2036, PRC 7779, and PRC

7780, each a General Lease – Mineral Extraction of sovereign land, as described in Exhibit A, Land Description, and as shown on Exhibit B, Site and Location Map (for reference purposes only) attached and by this reference made a part hereof, effective October 1, 2021.

2. Authorize assignment of four Leases, PRC 709, PRC 2036, PRC 7779, and PRC 7780, each a General Lease – Mineral Extraction of sovereign land, as described in Exhibit A, Land Description, and as shown on Exhibit B, Site and Location Map (for reference purposes only) attached and by this reference made a part hereof, from Hanson Marine Operations, Inc. to Hanson Marine Operations, LLC, effective February 25, 2022.

EXHIBIT A

PRC 709.1

LAND DESCRIPTION

Three parcels of submerged lands lying in the bed of the San Francisco Bay, San Francisco and Marin Counties, State of California, more particularly described as follows:

PARCEL 1 – PRC 709.1 NORTH

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 5 and by the line connecting said point 5 with said point 1.

<u>Latitude North</u>	<u>Longitude West</u>
1) 37°51'28"	122°26'43"
2) 37°50'48"	122°26'15"
3) 37°50'35"	122°27'02"
4) 37°50'35"	122°27'31"
5) 37°50'57"	122°27'30"

EXCEPTING THEREFROM all that portion lying within the Federal Lands as described in Chapter 81, Statutes 1897.

PARCEL 2 – PRC 709.1 EAST

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 41 and by the line connecting said point 41 with said point 1.

<u>Latitude North</u>	<u>Longitude West</u>
1) 37°49'23"	122°26'17"
2) 37°49'26"	122°26'16"
3) 37°49'28"	122°26'14"
4) 37°49'30"	122°26'12"
5) 37°49'33"	122°26'07"
6) 37°49'34"	122°26'03"
7) 37°49'36"	122°26'00"
8) 37°49'37"	122°25'57"
9) 37°49'38"	122°25'55"
10) 37°49'39"	122°25'53"
11) 37°49'41"	122°25'49"
12) 37°49'42"	122°25'48"
13) 37°49'43"	122°25'47"
14) 37°49'46"	122°25'46"

15) 37°49'47"	122°25'45"
16) 37°49'49"	122°25'44"
17) 37°49'50"	122°25'42"
18) 37°49'50"	122°25'41"
19) 37°49'50"	122°25'39"
20) 37°49'49"	122°25'37"
21) 37°49'48"	122°25'36"
22) 37°49'47"	122°25'35"
23) 37°49'45"	122°25'33"
24) 37°49'42"	122°25'31"
25) 37°49'40"	122°25'30"
26) 37°49'38"	122°25'29"
27) 37°49'36"	122°25'28"
28) 37°49'34"	122°25'28"
29) 37°49'32"	122°25'29"
30) 37°49'31"	122°25'30"
31) 37°49'30"	122°25'32"
32) 37°49'30"	122°25'34"
33) 37°49'29"	122°25'36"
34) 37°49'29"	122°25'39"
35) 37°49'28"	122°25'42"
36) 37°49'28"	122°25'45"
37) 37°49'27"	122°25'47"
38) 37°49'26"	122°25'50"
39) 37°49'25"	122°25'52"
40) 37°49'24"	122°25'53"
41) 37°49'23"	122°25'53"

EXCEPTING THEREFROM all that portion lying within the Federal Lands as described in Chapter 81, Statutes 1897.

PARCEL 3 – PRC 709.1 SOUTH

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 76 and by the line connecting said point 76 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°48'48"	122°26'30"
2)	37°48'48"	122°26'32"
3)	37°48'46"	122°26'36"
4)	37°48'45"	122°26'38"
5)	37°48'45"	122°26'40"
6)	37°48'44"	122°26'43"
7)	37°48'43"	122°26'46"
8)	37°48'42"	122°26'50"
9)	37°48'41"	122°26'52"

10)	37°48'40"	122°26'54"
11)	37°48'39"	122°26'58"
12)	37°48'38"	122°26'59"
13)	37°48'48"	122°27'00"
14)	37°48'37"	122°27'01"
15)	37°48'36"	122°27'04"
16)	37°48'35"	122°27'07"
17)	37°48'35"	122°27'09"
18)	37°48'35"	122°27'10"
19)	37°48'34"	122°27'12"
20)	37°48'34"	122°27'14"
21)	37°48'34"	122°27'16"
22)	37°48'35"	122°27'18"
23)	37°48'35"	122°27'19"
24)	37°48'35"	122°27'21"
25)	37°48'36"	122°27'24"
26)	37°48'36"	122°27'26"
27)	37°48'35"	122°27'29"
28)	37°48'35"	122°27'30"
29)	37°48'34"	122°27'32"
30)	37°48'33"	122°27'33"
31)	37°48'33"	122°27'35"
32)	37°48'33"	122°27'37"
33)	37°48'33"	122°27'39"
34)	37°48'33"	122°27'41"
35)	37°48'34"	122°27'43"
36)	37°48'39"	122°27'45"
37)	37°48'42"	122°27'46"
38)	37°48'43"	122°27'47"
39)	37°48'45"	122°27'47"
40)	37°48'47"	122°27'47"
41)	37°48'48"	122°27'47"
42)	37°48'48"	122°27'46"
43)	37°48'49"	122°27'44"
44)	37°48'50"	122°27'40"
45)	37°48'51"	122°27'37"
46)	37°48'51"	122°27'34"
47)	37°48'52"	122°27'31"
48)	37°48'53"	122°27'28"
49)	37°48'53"	122°27'25"
50)	37°48'54"	122°27'24"
51)	37°48'56"	122°27'20"
52)	37°48'59"	122°27'17"
53)	37°49'00"	122°27'15"
54)	37°49'02"	122°27'13"
55)	37°49'04"	122°27'11"

56)	37°49'05"	122°27'10"
57)	37°49'07"	122°27'07"
58)	37°49'08"	122°27'06"
59)	37°49'08"	122°27'03"
60)	37°49'07"	122°27'02"
61)	37°49'06"	122°27'01"
62)	37°49'05"	122°27'00"
63)	37°49'04"	122°26'59"
64)	37°49'03"	122°26'56"
65)	37°49'02"	122°26'52"
66)	37°49'02"	122°26'50"
67)	37°49'02"	122°26'48"
68)	37°49'02"	122°26'46"
69)	37°49'03"	122°26'44"
70)	37°49'03"	122°26'41"
71)	37°49'04"	122°26'38"
72)	37°49'06"	122°26'34"
73)	37°49'07"	122°26'32"
74)	37°49'08"	122°26'31"
75)	37°49'09"	122°26'30"
76)	37°49'08"	122°26'29"

Said points are Geographic Coordinates referenced to the North American Datum of 1983 (NAD 83).

END OF DESCRIPTION

The above description is based on that original description prepared by Steve Lehman on 02/27/2012 as found in PRC 709.1 on file at the Sacramento office of the California State Lands Commission.



EXHIBIT A

PRC 2036.1

LAND DESCRIPTION

A parcel of submerged lands lying in the bed of the San Francisco Bay, San Francisco and Marin Counties, State of California, more particularly described as follows:

PARCEL 1 – PRC 2036

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 8 and by the line connecting said point 8 with said point 1.

<u>Latitude North</u>	<u>Longitude West</u>
1. 37°50'57"	122°27'30"
2. 37°50'35"	122°27'31"
3. 37°50'35"	122°27'02"
4. 37°50'48"	122°26'15"
5. 37°50'44"	122°26'12"
6. 37°50'21"	122°26'59"
7. 37°50'22"	122°27'45"
8. 37°50'51"	122°27'39"

Said points are Geographic Coordinates referenced to the North American Datum of 1983 (NAD 83).

END OF DESCRIPTION

The above description is based on that original description prepared by Steve Lehman on 02/27/2012 as found in PRC 2036.1 on file at the Sacramento office of the California State Lands Commission.



EXHIBIT A

PRC 7779.1

LAND DESCRIPTION

Three parcels of submerged lands lying in the bed of the San Francisco Bay, San Francisco and Marin Counties, State of California, more particularly described as follows:

PARCEL 1 – PRC 7779 NORTH

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 3 and by the line connecting said point 3 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°52'08"	122°27'00"
2)	37°51'18"	122°27'22"
3)	37°51'48"	122°26'38"

EXCEPTING THEREFROM all that portion lying within the Federal Lands as described in Chapter 81, Statutes 1897.

PARCEL 2 – PRC 7779 EAST

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 4 and by the line connecting said point 4 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°51'11"	122°26'09"
2)	37°50'37"	122°25'49"
3)	37°50'52"	122°25'13"
4)	37°51'13"	122°25'25"

EXCEPTING THEREFROM all that portion lying within the Federal Lands as described in Chapter 81, Statutes 1897.

PARCEL 3 – PRC 7779 WEST

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 11 and by the line connecting said point 11 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°50'56"	122°27'38"
2)	37°50'44"	122°28'00"

3)	37°49'44"	122°27'59"
4)	37°49'44"	122°26'44"
5)	37°49'47"	122°26'44"
6)	37°49'48"	122°26'00"
7)	37°49'59"	122°26'00"
8)	37°49'59"	122°26'15"
9)	37°50'43"	122°26'14"
10)	37°50'21"	122°26'59"
11)	37°50'22"	122°27'45"

Said points are Geographic Coordinates referenced to the North American Datum of 1983 (NAD 83).

END OF DESCRIPTION

The above description is based on that original description prepared by Steve Lehman on 02/27/2012 as found in PRC 7779.1 on file at the Sacramento office of the California State Lands Commission.



EXHIBIT A

PRC 7780.1

LAND DESCRIPTION

Two parcels of submerged lands lying in the bed of the San Francisco Bay, San Francisco County, State of California, more particularly described as follows:

PARCEL 1 – PRC 7780 NORTH

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 4 and by the line connecting said point 4 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°49'59"	122°26'00"
2)	37°49'47"	122°26'00"
3)	37°49'55"	122°25'40"
4)	37°49'59"	122°25'42"

PARCEL 2 – PRC 7780 SOUTH

All that land bounded by the lines connecting, sequentially, the following points numbered 1 through 18 and by the line connecting said point 18 with said point 1.

	<u>Latitude North</u>	<u>Longitude West</u>
1)	37°49'29"	122°25'36"
2)	37°49'29"	122°25'39"
3)	37°49'28"	122°25'42"
4)	37°49'28"	122°25'45"
5)	37°49'27"	122°25'47"
6)	37°49'26"	122°25'50"
7)	37°49'25"	122°25'52"
8)	37°49'24"	122°25'53"
9)	37°49'23"	122°25'53"
10)	37°49'23"	122°26'04"
11)	37°48'48"	122°26'04"
12)	37°48'45"	122°25'43"
13)	37°48'46"	122°25'24"
14)	37°49'03"	122°25'13"
15)	37°49'07"	122°25'42"
16)	37°49'12"	122°25'53"
17)	37°49'26"	122°25'39"
18)	37°49'26"	122°25'32"

Said points are Geographic Coordinates referenced to the North American Datum of 1983 (NAD 83).

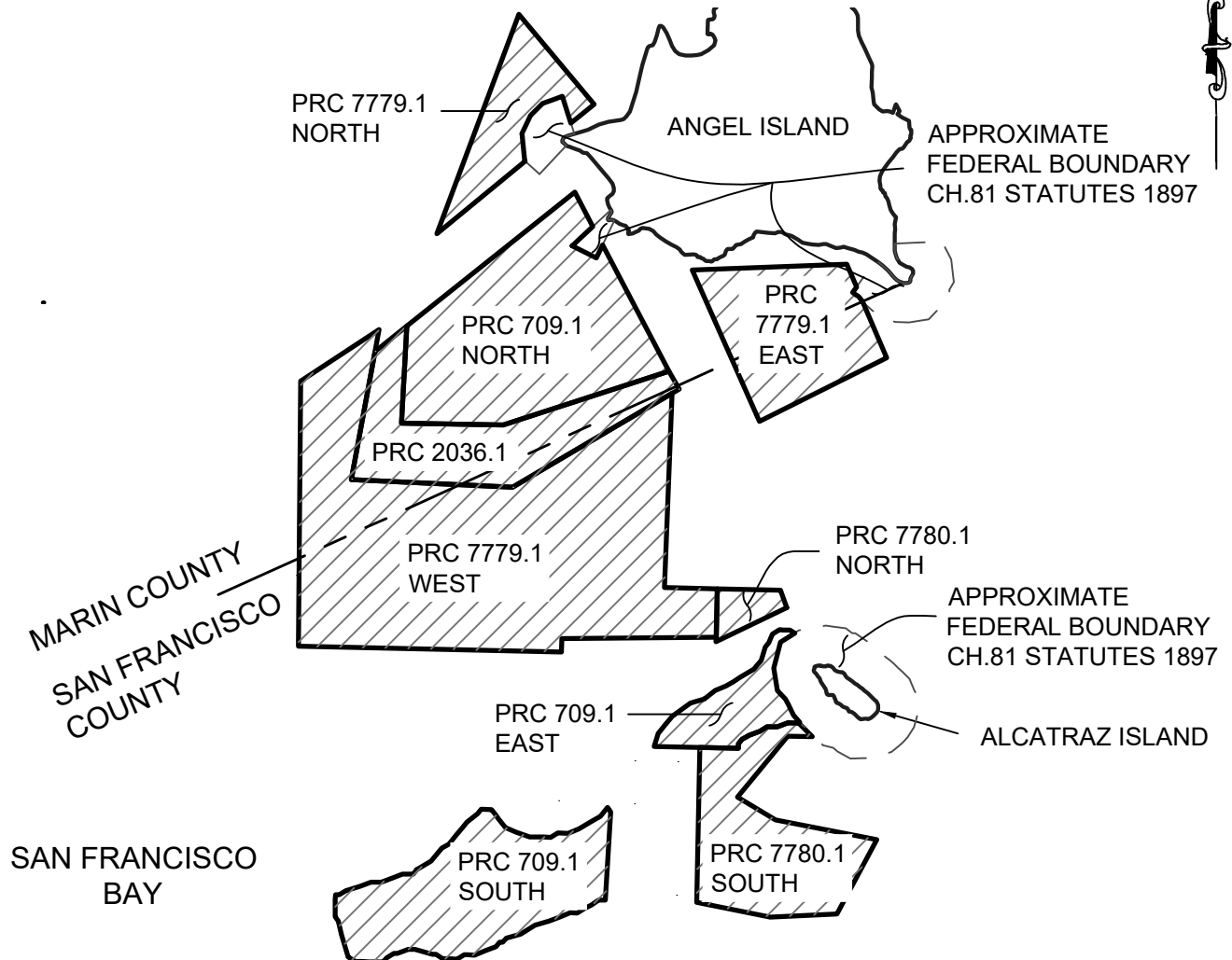
END OF DESCRIPTION

The above description is based on that original description prepared by Steve Lehman on 02/27/2012 as found in PRC 7780.1 on file at the Sacramento office of the California State Lands Commission.



NO SCALE

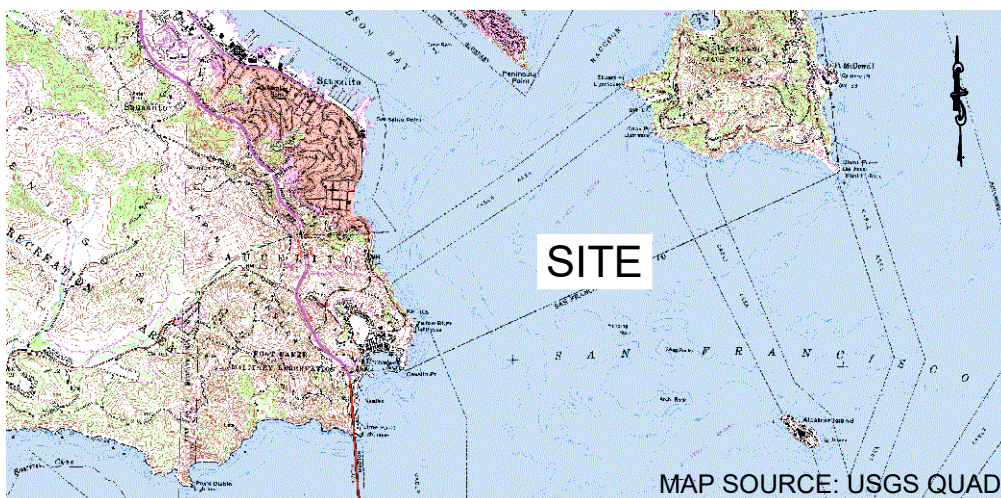
SITE



SAND MINING LEASE LOCATIONS

NO SCALE

LOCATION



THIS EXHIBIT IS SOLELY FOR PURPOSES OF GENERALLY DEFINING THE LEASE PREMISES, IS BASED ON UNVERIFIED INFORMATION PROVIDED BY THE LESSEE OR OTHER PARTIES AND IS NOT INTENDED TO BE, NOR SHALL IT BE CONSTRUED AS, A WAIVER OR LIMITATION OF ANY STATE INTEREST IN THE SUBJECT OR ANY OTHER PROPERTY.

EXHIBIT B

PRC 709.1, PRC 2036.1
PRC 7779.1, PRC 7780.1
MARTIN MARIETTA
MATERIALS LLC.
GENERAL LEASE
SAN FRANCISCO & MARIN
COUNTIES



DJF 1/7/2022