

Staff Report 28

LESSEE:

SFPP, L.P.

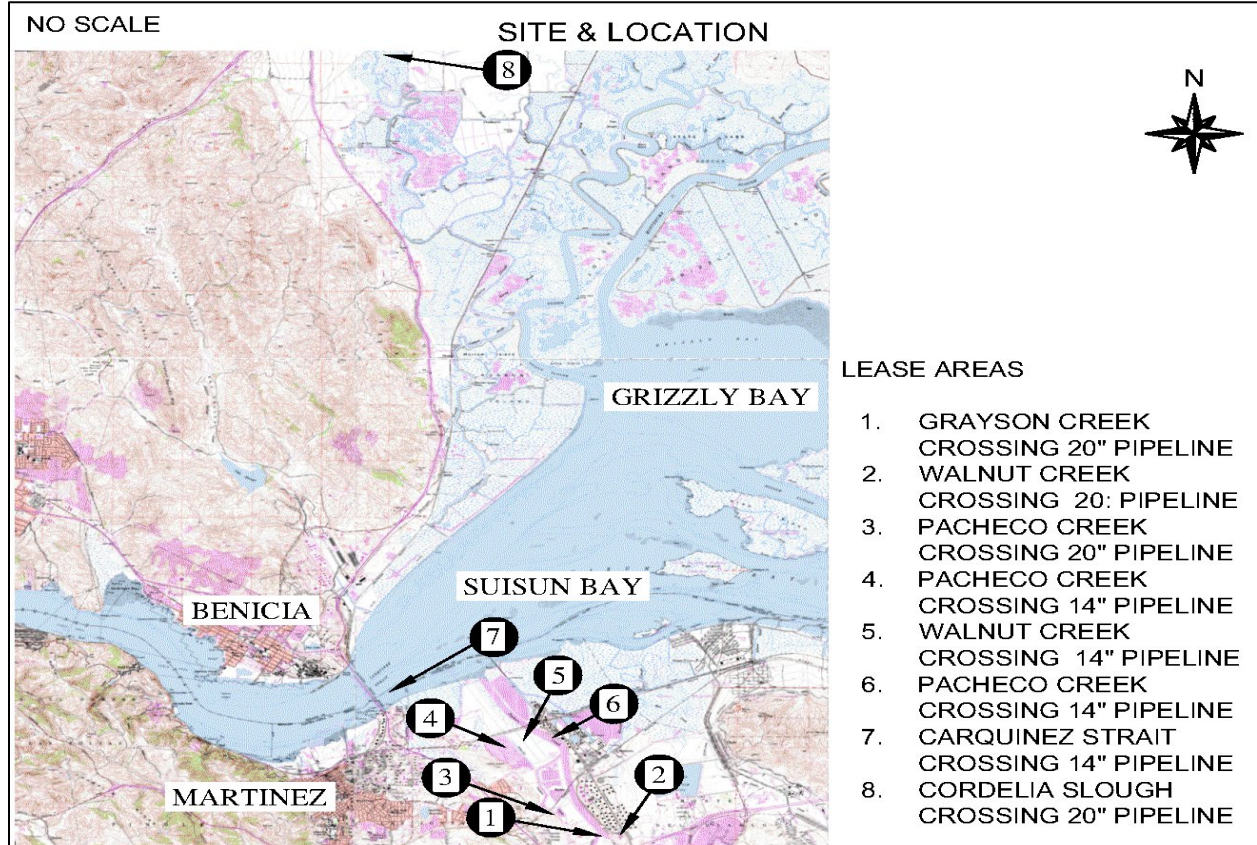
PROPOSED ACTION:

Revision of Rent and Bond.

AREA, LAND TYPE, AND LOCATION:

0.98 acre, more or less, of sovereign land in Walnut, Grayson, and Pacheco Creeks; Cordelia Slough; and Carquinez Strait; in Contra Costa and Solano counties (as shown in Figure 1).

Figure 1. Site and Location



AUTHORIZED USE:

Continued use and maintenance of a 20-inch-diameter petroleum product pipeline and a 14-inch-diameter petroleum product pipeline.

TERM:

25 years, beginning October 20, 2003.

CONSIDERATION:

The lease provides that Lessor may modify the rent and security periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this lease and recommends that the rent be revised from \$27,935 per year to \$28,815 per year and the bond be increased from \$500,000 to \$3,500,000, effective October 20, 2023.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the revision of rent is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law. The Lessee has no right to a new lease or to renewal of any previous lease.
2. On November 13, 2003, the Commission authorized a 25-year General Lease – Right-of-Way Use ([November 13, 2003, Item 01](#)) to the lessee for the construction, use, and maintenance of a 20-inch-diameter petroleum products pipeline crossing Walnut, Grayson, and Pacheco creeks and Cordelia Slough; and the continued use and maintenance of an existing 14-inch-diameter petroleum pipeline crossing Pacheco creek, Carquinez Strait. The project was constructed to provide gasoline, diesel fuel, and jet fuel from the lessee's existing Concord Station in Contra Costa County to their existing Sacramento Station in the city of West Sacramento, Yolo County. At the November 13, 2003 meeting, the Commission certified an Environmental Impact Report that was prepared for the project, and on December 9, 2003, the Commission approved ([December 9, 2003, Item 36](#)) an agreement for environmental monitoring for the construction project. On May 5, 2008, the Commission authorized ([May 5, 2008, Item 21](#)) a continuation of rent at \$9,475, effective October 20, 2008. On September 20, 2013, the Commission authorized ([September 9, 2013, Item 30](#)) a revision of rent from \$9,475 to \$27,935, effective October 20, 2013. On August 23, 2019, the Commission authorized ([August 23, 2019, Item 36](#)) a continuation of rent, effective October 20, 2019.

3. Under the terms of the current lease, the lessee holds a surety bond in the amount of \$500,000. This amount is subject to increases over the lease term and serves the purpose of being able to mitigate costs that might otherwise be shouldered by the state, including where the state must take restorative actions with the leased premises upon lease termination or lease premises abandonment. A bond adjustment is currently appropriate with an increase in rent and to keep it consistent with estimated removal costs for similar facilities. Staff recommends increasing the bond to minimize the state's potential liability.
4. This action is consistent with the "Address the future risk and liabilities" in the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-25 Strategic Plan.
5. Approving the revision of rent is not a project 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).

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Approve the revision of rent for Lease PRC 8486 from \$27,935 per year to \$28,815 per year and an increase in the bond from \$500,000 to \$3,500,000, effective October 20, 2023.