

Staff Report 38

LESSEE:

Chevron USA, Inc.

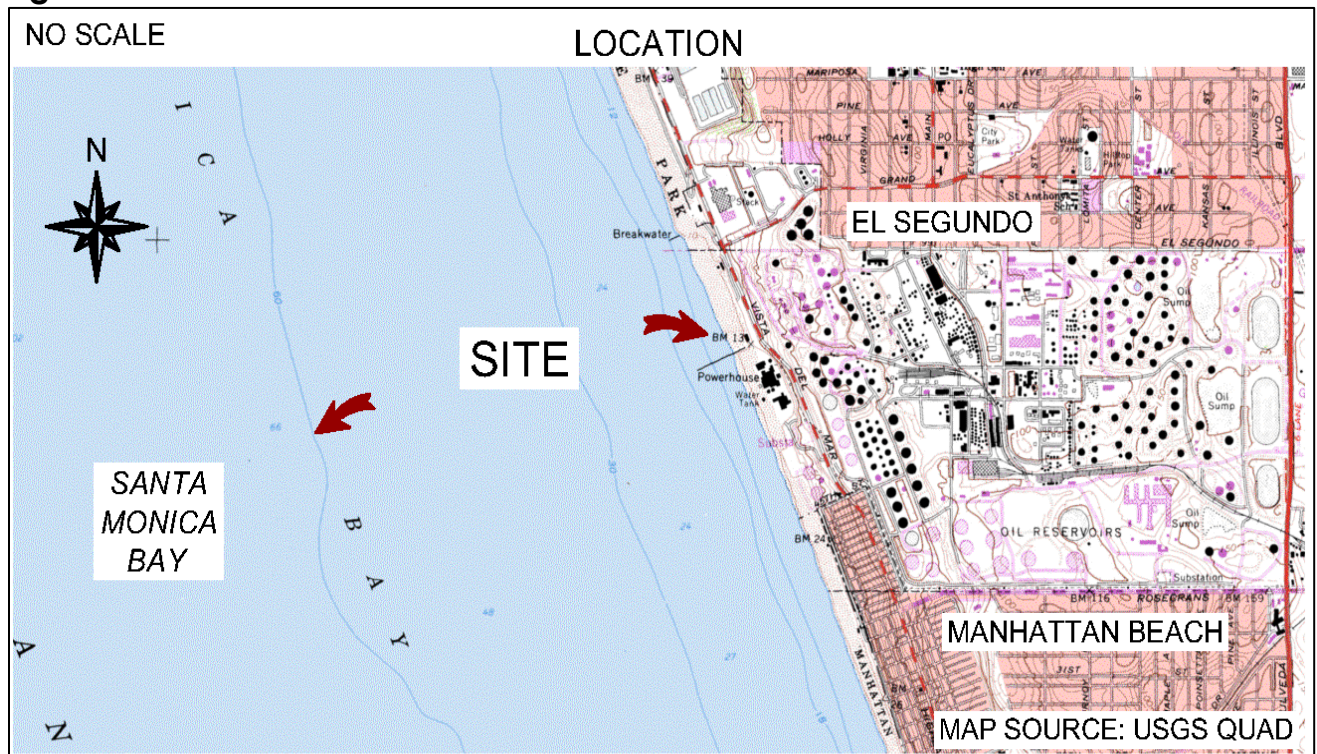
PROPOSED ACTION:

Revision of Rent and Bond.

AREA, LAND TYPE, AND LOCATION:

319.3 acres, more or less, of sovereign land in the Pacific Ocean, near El Segundo, Los Angeles County (as shown in Figure 1).

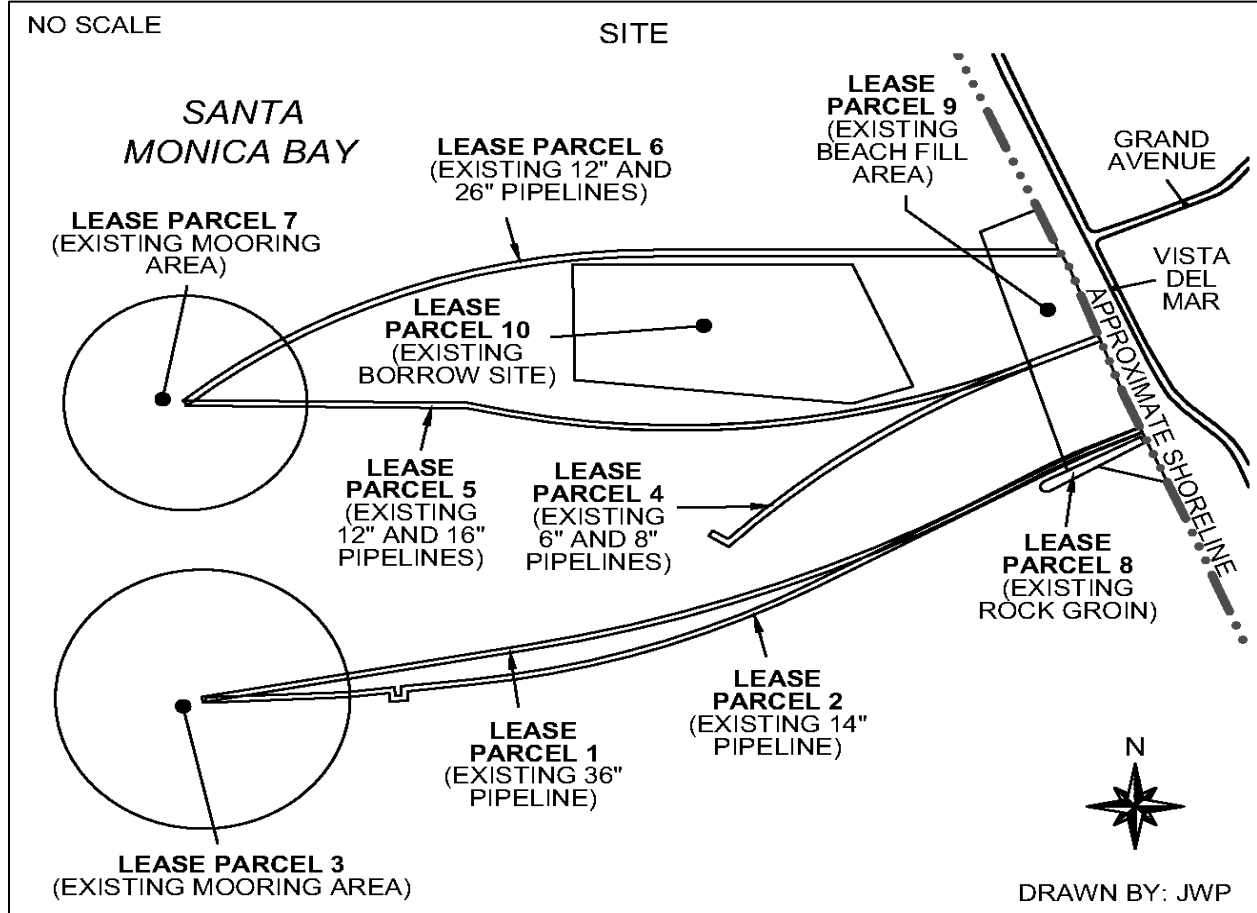
Figure 1. Location



AUTHORIZED USE:

Continued use and maintenance of an offshore marine oil terminal with related facilities, beach fill, and a rock groin (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

30 years, beginning October 1, 2010.

CONSIDERATION:

The lease provides that Lessor may modify the base rent and bond periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent and bond under this lease and recommends that the base rent be revised from \$1,785,874.06 per year to \$2,110,973 per year, and the bond be increased from \$2,000,000 to \$20,000,000, effective October 1, 2023.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the revision of rent and bond is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent and bond, 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 December 10, 2010, the Commission approved a 30-year General Lease – Industrial Use to the lessee ([December 10, 2010, Item 47](#)) for the continued use, operation, and maintenance of an offshore marine oil terminal in Santa Monica Bay, as part of the upland Chevron El Segundo Marine Oil Terminal facility. The lease grants use of 10 parcels that include two parcels with circular moorings for offloading tanker vessels and barges with buoys and offloading equipment and five parcels with pipelines running from the moorings offshore to the beach onshore. Three additional parcels include a beach fill area protecting the pipelines as they come onshore and includes a public beach walkway; an adjacent rock groin used to protect and replenish the beach also open to the public to access fishing; and an offshore borrow site used for periodic sand/beach replenishment. The lease will expire on September 30, 2040.
3. Under the terms of the current lease, the lessee holds a surety bond in the amount of \$2,000,000. This amount is subject to increases over the lease term and serves the purpose of mitigating costs that might be shouldered by the state in the event of a default, 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 current removal costs. 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 and bond increase 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 base rent for Lease PRC 5574 from \$1,785,874.06 per year to \$2,110,973 per year and increase the bond from \$2,000,000 to \$20,000,000, effective October 1, 2023.