

# Staff Report 27

## LESSEE:

SFPP, L.P.

## PROPOSED ACTION:

Revision of Rent and Bond.

## AREA, LAND TYPE, AND LOCATION:

6.18 acres, more or less, of sovereign land in the Carquinez Strait between Martinez, Contra Costa County, and Benicia, Solano County (as shown in Figure 1).

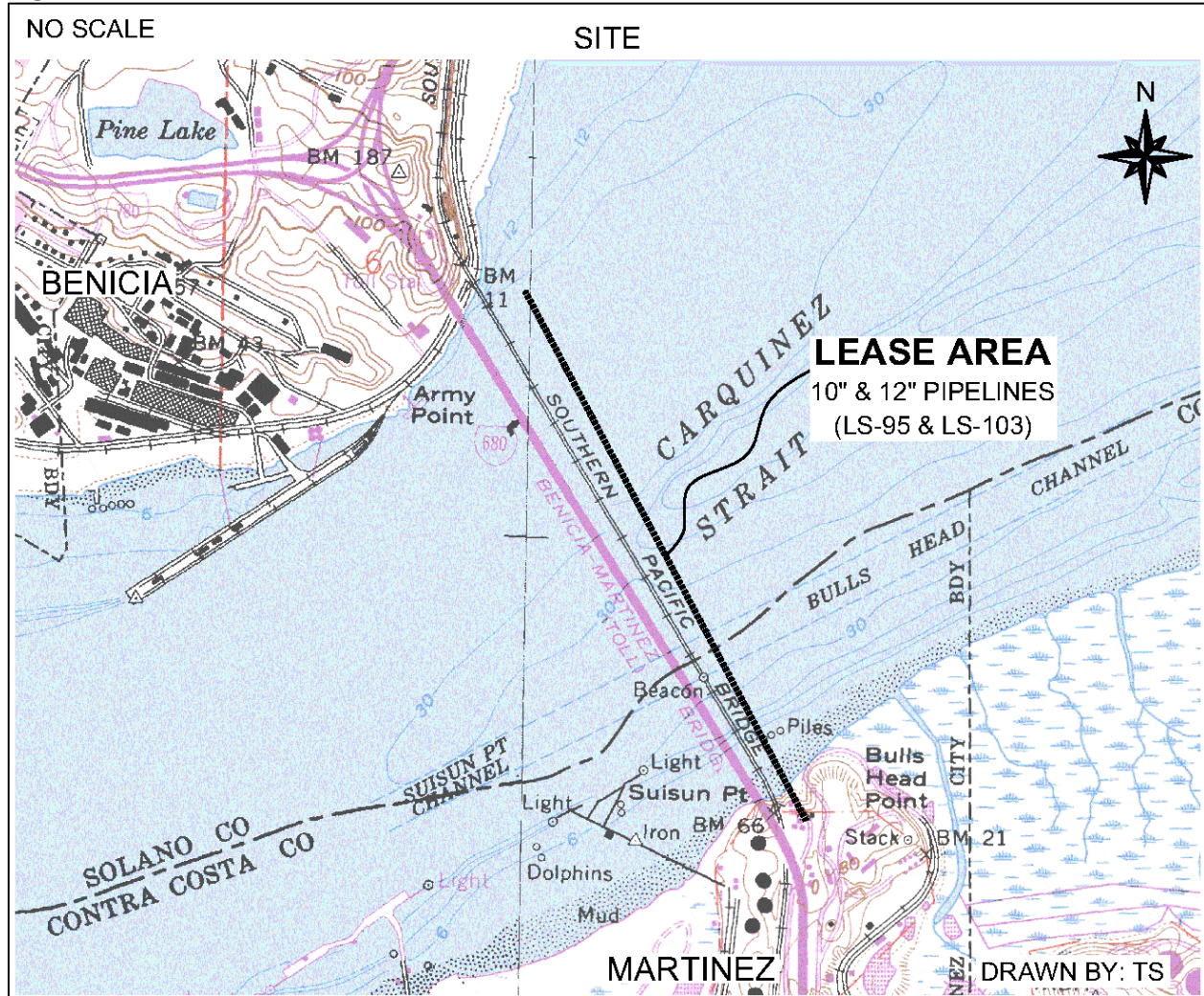
**Figure 1. Location**



**AUTHORIZED USE:**

Continued use and maintenance of one 10-inch-diameter and one 12-inch-diameter petroleum pipeline (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:**

20 years, beginning April 1, 2013.

**CONSIDERATION:**

The lease provides that Lessor may modify the 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 \$37,750.70 per year to \$55,924 per year, and revise the bond from \$1,500,000 to \$5,000,000, effective April 1, 2024.

## **OTHER PERTINENT INFORMATION:**

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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 September 20, 2013, the Commission authorized a General Lease – Right-of-Way Use ([September 20, 2013, Item 29](#)) to SFPP, LP for two existing petroleum pipelines, one 10-inch-diameter and one 12-inch-diameter, each at a length of 5,380 feet, crossing the Carquinez Strait. The lease will expire on March 31, 2033. At the same meeting, the Commission authorized two other leases to the lessee, PRC 9041 for two petroleum pipelines crossing the San Francisco Bay and PRC 9042 for various petroleum pipelines in various waterways, statewide. The three leases are referred to as Master Leases with the lessee.
3. Under the terms of the three Master Leases, the lessee holds a total surety bond in the amount of \$1,500,000 along with a Parent Performance Guaranty that simultaneously satisfies the lessee's bond and security obligations of the three Master Leases. 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 to keep the amount consistent with estimated current removal costs and other leases and to minimize the state's potential liability. Staff recommends an increase in the total surety bond from \$1,500,000 to \$5,000,000. Rent and bond revisions recommendation for Master Leases PRC 9041 and PRC 9042 will be considered at the December 5, 2023 Commission meeting under separate staff reports.
4. The lease requires depth of coverage burial surveys of the submerged pipelines every five years. In 2022, the lessee completed the remediation project to bury the exposed portions of the pipelines crossing the Carquinez Strait.
5. This action is consistent with the "Address current and future risk and liabilities" in the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-25 Strategic Plan.

6. Approving the revision of rent and bond 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:**

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It is recommended that the Commission:

### **AUTHORIZATION:**

Approve the revision of rent for Lease PRC 9040 from \$37,750.70 per year to \$55,924 per year, and revision of bond from \$1,500,000 to \$5,000,000, effective April 1, 2024.