

# Staff Report 34

**LESSEE:**

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Califia, LLC

**PROPOSED ACTION:**

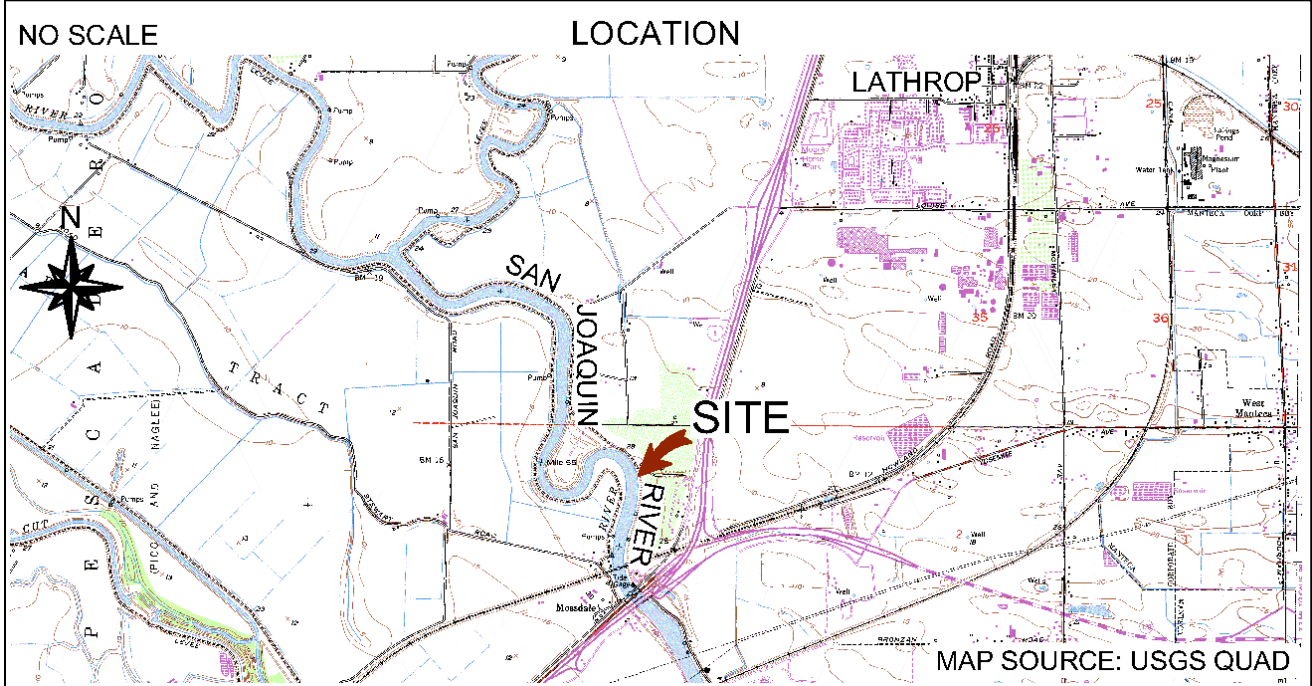
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Revision of Rent and Bond.

**AREA, LAND TYPE, AND LOCATION:**

0.02 acre, more or less, of sovereign land in the San Joaquin River, adjacent to 250 Sadler Oaks Drive, Lathrop, San Joaquin County (as shown in Figure 1).

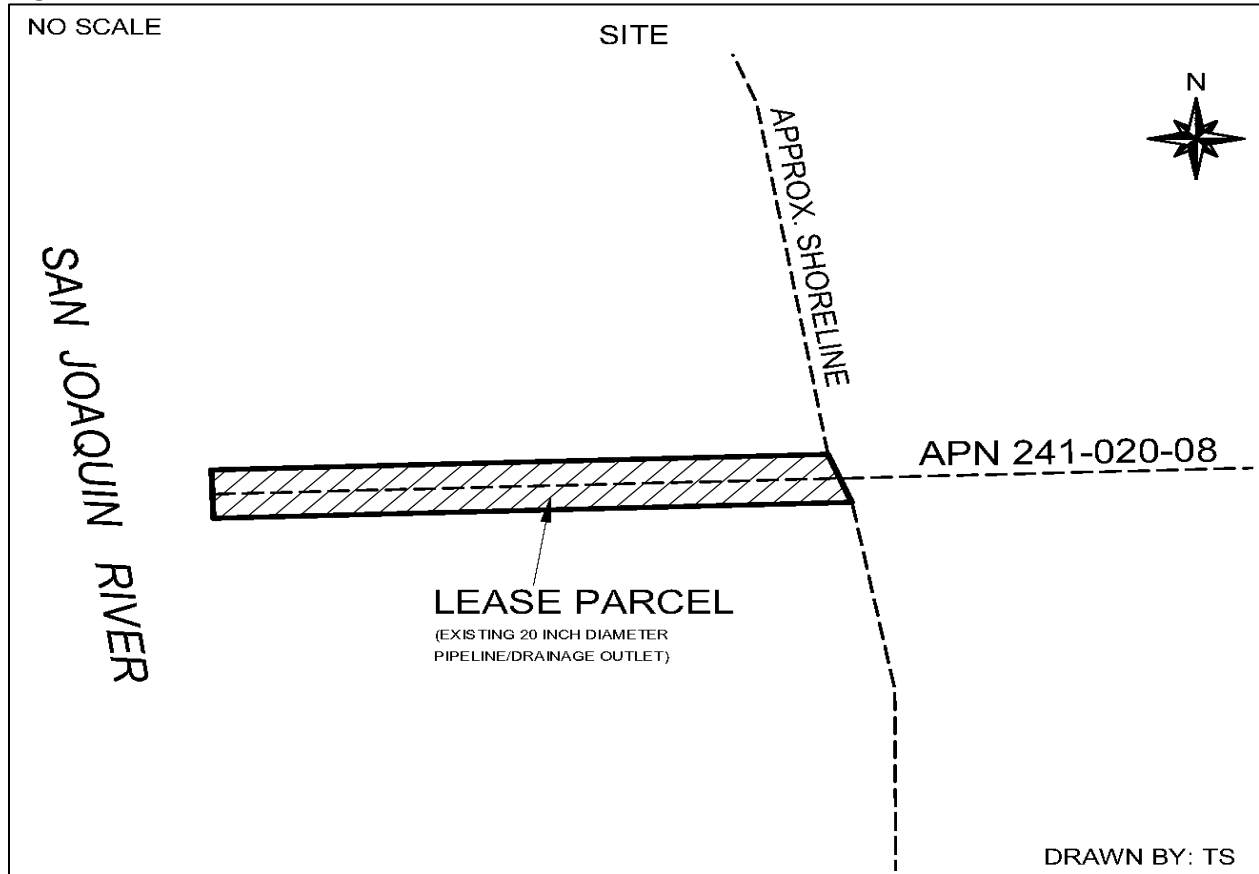
**Figure 1. Location**



**AUTHORIZED USE:**

Continued use and maintenance of a 20-inch-diameter non-operational drainage pipeline outlet (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:**

25 years, beginning June 19, 2014.

**CONSIDERATION:**

The lease provides that Lessor may modify the rent and bond periodically during the lease term. Pursuant to this provision, the staff has conducted a review of the rent and bond under this lease and recommends that the rent be revised from \$450 per year to \$503 per year, with an annual Consumer Price Index adjustment, and the bond increased from \$20,000 to \$365,000, effective on June 19, 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 bonds, 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 June 19, 2014, the Commission authorized a 25-year General Lease – Right-of-Way use ([Item 51, June 19, 2014](#)) to Califia, LLC. On June 28, 2019, the Commission authorized a continuation of rent, effective June 19, 2019 ([Executive Officer's Report, June 28, 2019](#)).
3. Under the terms of the current lease, the lessee holds a surety bond in the amount of \$20,000. 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 where the rent is increased and to keep the bond consistent with estimated removal costs for similar facilities. Staff recommends increasing the surety bond from \$20,000 to \$365,000, to cover the increase in rent and the estimated cost of removal of the non-operational pipeline. Staff recommends increasing the bond from \$20,000 to \$365,000 with an initial increase to \$200,000, effective June 19, 2024, and annual increases of \$33,000 by the effective date of June 19 of each year, until the balance reaches \$365,000.
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 is not a project as defined by CEQA because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resource 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 2854 from \$450 per year to \$503 per year, with an annual Consumer Price Index adjustment, and an increase in the bond (or other security) from \$20,000 to \$365,000; with an increase to \$200,000 effective June 19, 2024, with annual increases of \$33,000 by the effective date of June 19 of each year, until the balance reaches \$365,000. The last increase to be made by June 19, 2029.