Meeting Date: 08/25/26
Grant File Number: 02-02
Staff: J. Plovnick

Staff Report 42

GRANTEE:

City of Martinez

PROPOSED ACTION:

Consider temporary relief for the City of Martinez from its requirement to transmit 20 percent of the revenue generated from its granted lands to the State, pursuant to Chapter 628, Statutes of 2014, and Chapter 143, Statutes of 2023.

BACKGROUND:

The City of Martinez (City) is a trustee of sovereign tide and submerged lands granted by the Legislature under Chapter 628, Statutes of 2014. Chapter 628 repealed the City's prior grants and provided the City with a new grant of sovereign tide and submerged lands that updated the grant statute and added an additional parcel that encompasses the Martinez Marina (Marina).

Prior to the Legislature granting the Marina parcel to the City in Chapter 628, this area was under the Commission's jurisdiction. In 1964, the Commission authorized a 49-year lease of the Marina parcel to the City for the development and operation of a small craft harbor, as well as park, recreational, commercial, and industrial facilities. Pursuant to this lease, the Commission collected annual rent from the City and deposited it into the State's General Fund. Because Chapter 628 transferred the State's right, title, and interest in the Marina to the City it effectively terminated the lease between the Commission and the City.

Similar to other recent legislative trust grants, Chapter 628 established a revenue-sharing agreement between the City and the State. This revenue sharing requires the City to transmit 20 percent of annual revenue generated from its granted lands to the Commission, of which 80 percent is deposited into the State's General Fund and 20 percent into the Kapiloff Land Bank. Recognizing the deteriorating conditions at the Marina, Chapter 628 allowed the Commission to relieve the City of its revenue-sharing obligation until June 30, 2021. This relief was intended to enable the City to fund activities that address critical issues at the Marina, such as dredging projects to restore adequate depth for safe navigation, berthing, and vessel launching.

Chapter 143, Statutes of 2023, subsequently extended the Commission's authority to annually relieve the City from its revenue sharing requirement for another five years—from January 1, 2024 until June 30, 2029. This extension supports the City's efforts to restore the deteriorated Marina's condition through continued dredging and maintenance activities.

On June 26, 2026, the City requested relief from its revenue sharing obligation for fiscal year 2025-26.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Section 7, subdivision (d)(2), of Chapter 143 authorizes the Commission to relieve the City of its annual obligation to transmit 20 percent of all gross revenues generated from its granted lands from January 1, 2024 until June 30, 2029.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

As demonstrated in the City's previous financial submittals to the Commission, revenue generated from its granted lands is insufficient to cover the expenses incurred from maintenance and operation of the Marina. Nevertheless, the City continues to work towards improving conditions at the Marina by repairing or replacing deteriorated facilities to ensure that the Marina is a valuable asset to the public's use and access of Public Trust resources in the region. To this end, the City recently renovated one of the Marina's primary parking lots, reconstructed its public launch docks, and reopened the Martinez Fishing Pier following a $3.1 million rehabilitation project. Furthermore, within the last year the City used funding from its Development Incentives and Community Benefit Program to install a new kayak launch, repair one of the Marina's public bathrooms, and repair the Marina's pump out. Additionally, in December 2025 the City entered into an Exclusive Negotiating Agreement with a developer to begin planning a comprehensive redevelopment project intended to revitalize the Marina and the adjacent waterfront.

Previous revenue sharing relief has enabled the City to fund maintenance dredging for operational expansion of the Marina and helped cover costs related to capital improvement projects and Marina management. Relieving the City of its revenue sharing obligation for fiscal year 2025 – 2026 will support its continued efforts to maintain and improve its granted lands by allowing the City to reinvest this revenue directly back into the Marina and the adjacent waterfront.

Because the Marina is an entry point to both the San Francisco Bay and the Sacramento-San Joaquin River Delta, it is a vital resource for meeting Public Trust needs in the region and staff believe that relieving the City from its revenue sharing obligation for fiscal year 2025 – 2026 supports Public Trust needs in the region and is in the best interests of the State.

For all the reasons above, staff recommends relieving the City of its revenue sharing obligation for fiscal year 2025 – 2026.

OTHER PERTINENT INFORMATION:

1. This proposed action is consistent with the "Meeting Evolving Public Trust Needs" and "Committing to Collaborative Leadership" Strategic Focus Areas of the Commission's 2021–2025 Strategic Plan.
2. When former Governor Jerry Brown Jr. signed Chapter 628 into law, the signing message emphasized that the legislation would provide the City with an opportunity to revitalize the Marina, preventing its closure and enabling the City to fulfill its existing debt obligations to the State. The Governor encouraged the Commission to exercise its discretion in allowing the City to enhance the trust lands and meet its debt repayment responsibilities.
3. The City reported the following income and expenses generated on and by its granted lands in past years:
    a. 2014-15 – Revenues: $18,764; Expenditures: $39,517; Operating Income: $(20,753)
    b. 2015-16 – Revenues: $19,072; Expenditures: $19,812; Operating Income: $(740)
    c. 2016-17 – Revenues: $206,175; Expenditures: $302,178; Operating Income: $(119,956)
    d. 2017-18 – Revenues: $261,256; Expenditures: $881,875; Operating Income: $(650,150)

e. 2018-19 – Revenues: $258,169; Expenditures: $122,74; Operating Income: $135,428

f. 2019-20 – Revenues: $224,105; Expenditures: $224,105; Operating Income: $0

g. 2020-21 – Revenues: $244,077; Expenditures: $266,707; Operating Income: $61,349

h. 2021-22 – Revenues: $158,014; Expenditures: $502,823; Operating Income: $(276,765)

i. 2022-23 – Revenues: $131,505; Expenditures: $1,658,731; Operating Income: $(1,496,669)

j. 2023-24 – Revenues: $129,487; Expenditures: $1,008,104; Operating Income: $(621,266)

k. 2024-25 – Revenues: $650,735; Expenditures: $1,929,846; Operating Income: $35,018

4. The Commission approved relieving the City of the requirement to transmit 20 percent of the revenue generated from its granted lands to the State for the fiscal years ending 2015 through 2021, and again for the fiscal years ending 2024 and 2025.

   a. Item 93, June 29, 2015

   b. Item 61, October 13, 2016

   c. Item 82, June 21, 2018 (covered two fiscal years)

   d. Item 71, April 29, 2020

   e. Item 59, December 17, 2020

   f. Item 73, December 8, 2021

   g. Item 52, October 17, 2024

   h. Item 100, December 16, 2025

5. Relieving the City from the requirement to transmit 20 percent of the revenue generated from its granted lands to the State 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, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

EXHIBIT:

A. 2025 – 2026 Request for Relief Letter

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Relieve the City of Martinez from its obligation to transmit 20 percent of the revenue generated from its granted land to the State for fiscal year 2025 – 2026 pursuant to section 7, subdivision (d)(2) of Chapter 143.

Exhibit A

CITY OF MARTINEZ
525 Henrietta Street, Martinez, CA 94553
925-372-3500
www.cityofmartinez.org

June 26, 2026

Mr. Jeffrey Plovnick
Granted Lands Specialist
Land Management Division
California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

RE: Request for relief from obligation to transmit gross revenue from Martinez Waterfront and Marina

Dear Mr. Plovnick,

The City of Martinez (the "City") would like to request relief from the obligation to transmit a portion of gross revenue from the Martinez Waterfront and Marina as allowed in Assembly Bill ("AB") 1686, and as authorized under Section 7(d)(2), which states:

> *In recognition of the deteriorated conditions at the marina commencing January 1, 2024, and until June 30, 2029, the commission may, at its discretion, relieve the trustee of its obligation to transit the gross revenues as specified in paragraph (1) so that the trustee can take action to address those conditions, including the dredging of sediment to restore adequate depth for launching, berthing, and safe navigation at the marina*.

As has been well documented, the Martinez Waterfront and Marina has struggled to be fiscally stable for decades, primarily due to the significant amount of silt that flows downstream and through its breakwater since its construction in 1960. The City experienced a significant and unanticipated operational shift that placed considerable strain on the Marina Enterprise Fund, requiring the City to secure General Fund loans to sustain operations.

Over the past year, the City has worked diligently to stabilize the Waterfront and Marina, invest in infrastructure, and plan for long-term sustainability. This included applying for multiple grant opportunities and entering into a new management agreement that has already produced visible improvements in operations and amenities. Despite these efforts, several unforeseen circumstances impacted both revenues and expenditures.

Key factors include:

Continued General Fund Support

The Marina Enterprise Fund continues to rely heavily on substantial General Fund support to maintain basic operations. The annual revenues generated by the Waterfront and Marina remain significantly below the level necessary to operate the facility in its current condition. Any requirement to remit gross revenue to the State Lands Commission would directly impact the General Fund and impair the City's ability to sustain operations while long-term revitalization efforts are underway. In Fiscal Year ("FY") 2026-2027, the City expects to loan the Marina Fund approximately $420,000.

Ongoing Storm Damage Recovery

The City is still in the process of resolving the extensive storm damage sustained in December 2024. While the first insurance claim has been submitted and partially processed, multiple components of the damage remain unresolved and additional claims are still pending. These unresolved issues continue to require City resources—both operational and financial—to maintain safety and functionality in the interim.

Waterfront and Marina Revitalization Efforts and Exclusive Negotiation Agreement

In December 2025, the City entered into an Exclusive Negotiating Agreement ("ENA") with Tucker Sadler Architects to lead the comprehensive revitalization of the Waterfront and Marina. The City and development team are now working through the early Exclusive Negotiating stage, including the developer's efforts to secure necessary funding to advance the project into environmental review. This revitalization is expected to be a major citywide catalyst project spanning multiple years of environmental approvals, permitting, and phased construction.

Infrastructure Improvements

During the past year, the City used funding from our Development Incentives and Community Benefit Program to install a kayak launch, repair the public bathroom, and repair the pump out.

Revenue Disruptions and Operational Realities

While the City implemented revenue increases to help offset costs, overall revenues remain insufficient due to the combined effects of deferred maintenance, general operations, environmental constraints, and storm impacts. Vessel turnover, limited berth availability, and ongoing infrastructure challenges continue to reduce the Marina's earning potential.

Given the aforementioned actions the City has taken to address its continuing economic challenges with the Waterfront and Marina, we request relief from the obligation to transmit a portion of the gross revenues generated by the land grant pursuant to Section 7(d)(2) of AB 1686. The retained revenue generated from the granted lands will be placed into the Marina Service Enterprise Fund and used to address the Waterfront and Marina's infrastructure and maintenance needs.

The City appreciates your consideration of this matter. Please contact me at mchandler@cityofmartinez.org or Andrea Miller, Interim Finance Director, at amiller@cityofmartinez.org, if you have any questions or wish to discuss this matter. Thank you again for your continued partnership in the Martinez Waterfront and Marina.

Sincerely,

M. Chandler

Michael Chandler
City Manager

Cc: Mayor and City Council
Lauren Sugayan, Assistant City Manager
Andrea Miller, Interim Finance Director
Jill Bergman, Community and Economic Development Director
Michael P. Cass, Assistant Community and Economic Development Director