Meeting Date: 10/21/26
Lease Number: 5026
Staff: K. Connor

Staff Report 27

APPLICANT:

C&H Sugar Company, Inc.

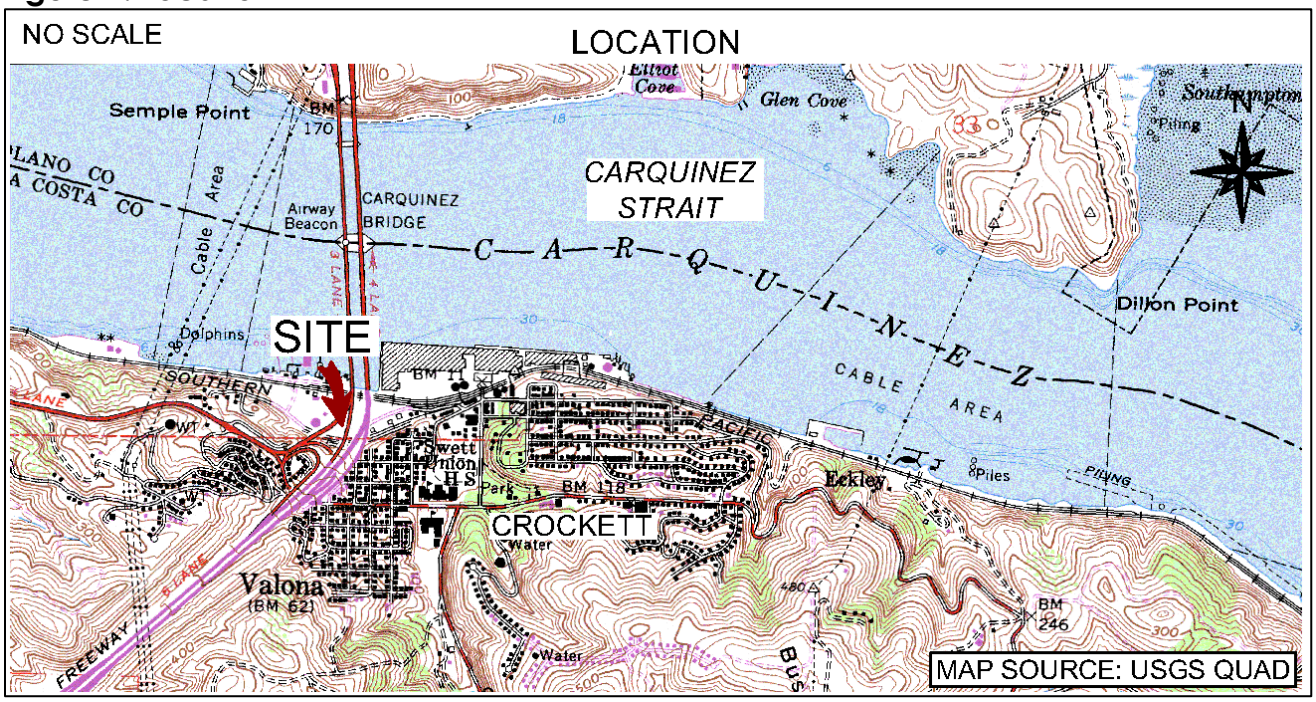
PROPOSED ACTION:

Issuance of a General Lease – Industrial Use.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Carquinez Strait, adjacent to 830 Loring Avenue, Crockett, Contra Costa County (as shown in Figure 1).

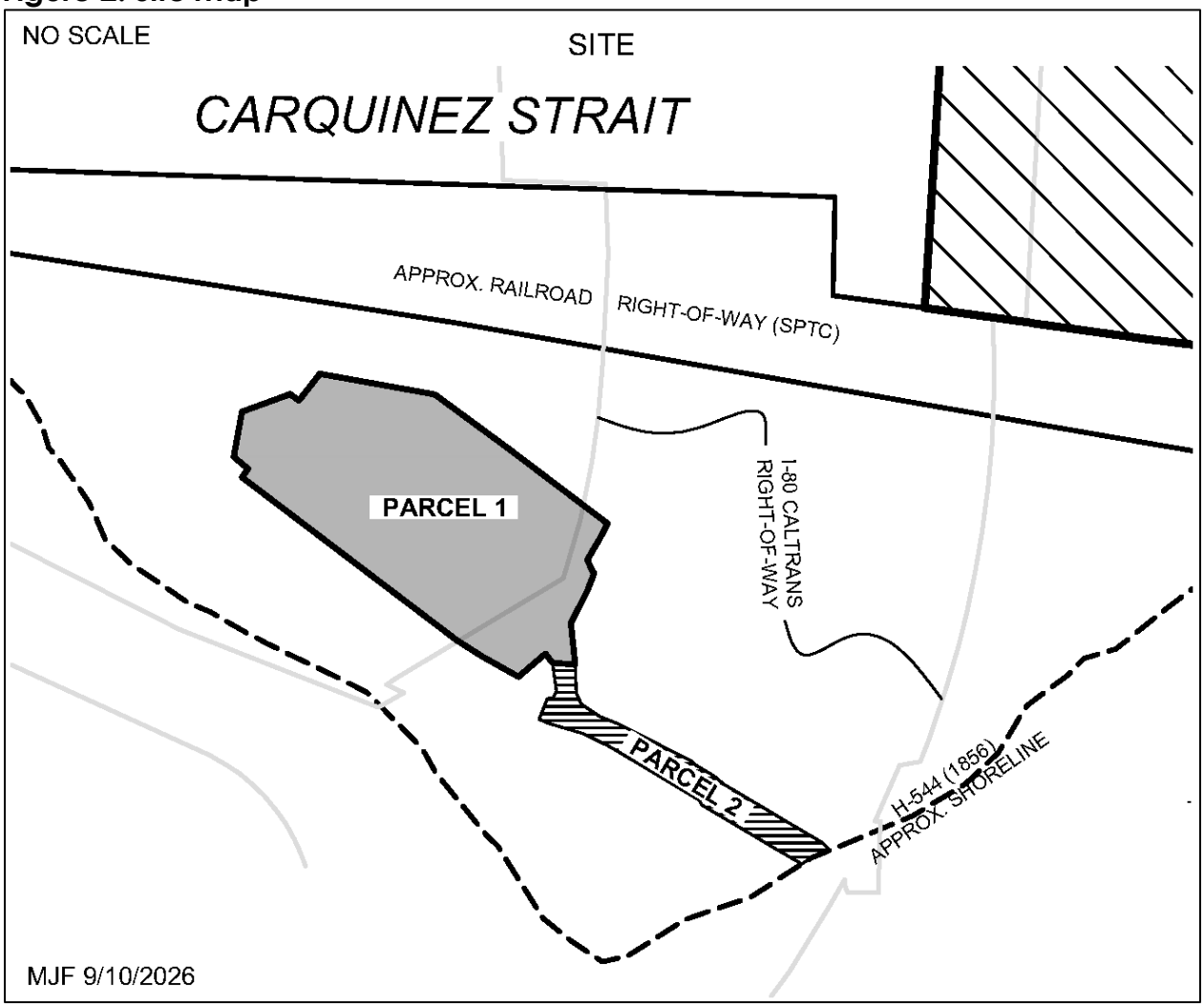
Figure 1. Location



AUTHORIZED USE:

Use and operation of an existing wastewater treatment facility, access road, and appurtenant facilities (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 August 1, 2026.

CONSIDERATION:

$107,413, with an annual Consumer Price Index adjustment and the State reserving the right to fix a different rent periodically during the lease term, as provided for in the lease.

SPECIFIC LEASE PROVISIONS:

- Liability insurance in an amount no less than $10,000,000 per occurrence.
- Bond or other surety in the amount of $2,000,000.
- Lessee shall not unreasonably restrict, limit, or obstruct other uses of the access road, including public use during daylight hours, and acknowledges that the existing access road within the Lease Premises is currently used by other Lessees.
- Lessee is responsible for the maintenance of the paved access road.
- Lessee must submit, no later than two years prior to the expiration of the lease, an application and approximate expense deposit for a new lease for the continued use of the Lease Premises or for the removal of Lease Improvements and restoration of the Lease Premises.

BACKGROUND:

The Philip F. Meads Water Treatment Plant (Facility) is an existing joint treatment wastewater facility, owned and operated by the C&H Sugar Company Inc. (Applicant or C&H), that provides treatment of wastewater from the adjacent C&H Sugar Refinery and from the local Crockett community managed by the Crockett Community Services District (District). The District provides wastewater collection, treatment, and disposal services to approximately 1,175 properties within the town of Crockett. As a joint treatment facility, the Facility treats primary-treated sugar refining wastewater and pretreated domestic wastewater. C&H is responsible for operations and maintenance of the Facility, with the District being responsible for its proportional share of costs for operations, maintenance, and improvements of the Facility.

PREVIOUS COMMISSION AUTHORIZATIONS:

On July 24, 1975, the Commission authorized a 49-year General Lease – Industrial Use to the California and Hawaiian Sugar Company, for the proposed wastewater treatment facility and existing ancillary structures related to sugar refinery

operations (Item 12). On December 15, 1976, the Commission authorized an amendment to the lease for the construction and maintenance of a 20-inch-diameter outfall and supporting structures (Item 37). On January 26, 1977, the Commission authorized an assignment of the lease to California Pollution Control Financing Authority, for a term of 30 years, as a requirement under the regulations of the Authority when issuing bonds for the construction of the Facility (Item 17). On May 12, 1997, the Commission authorized an amendment of the lease to update the land description to include lands previously under a separate lease to C&H for similar and supporting uses to the Facility (Item 61). On September 22, 1998, the Commission authorized an assignment of the lease from California and Hawaiian Sugar Company, Inc. to C&H Sugar Company Inc., and approved an Agreement and Consent to Encumbrancing of the Leaseholds (Item 1). The lease expired on July 31, 2024. Applicant has continued to pay rent as the lease application was being processed. Rent is paid through July 31, 2026. The Applicant is now applying for the issuance of a new lease.

JOINT USE OPERATIONS:

In 1976, C&H and the District negotiated a Joint Use Agreement, under which C&H owns the Facility and subleases a 17.14 percent interest of the Facility to process the community's wastewater. In this agreement, the District contributes to the Facility's operating costs, but C&H is responsible for operations through a third-party contractor. This Agreement was for a term of 30 years and expired in 2024. C&H and the District are currently in negotiations for a new Joint Use Agreement. The Commission is not a party to those negotiations, and the Joint Use Agreement is not a part of this action or consideration.

The Facility is responsible for treating sugar-processing waste from both the C&H Sugar Refinery and wastewater generated by residents and businesses in Crockett. Every day, the Facility treats approximately 317,000 gallons of wastewater from the community and 347,000 gallons of waste from the Refinery. The partnership between C&H and the District provides cost-effective wastewater treatment; without the partnership, the District would need to seek treatment out of the area at a substantially higher cost to the community.

On September 4, 2022, a significant heatwave caused the Facility's power source equipment to fail, resulting in strong odors in the community that continued through October 2022. Residents in the area described the odor as rotten eggs and sewage and were advised by Contra Costa Health officials to remain indoors due to elevated levels of hydrogen sulfide. Following the equipment failure and

complaints, the San Francisco Bay Regional Water Quality Control Board (SFBRWQCB) required C&H to submit information on its treatment system reliability and the causes of the equipment failures that resulted in the odor.

Since the equipment failure and odor events, C&H invested in improvements to prevent such events from reoccurring. Additionally, C&H agreed to pay a $734,000 penalty to SFBRWQCB for prior violations. Approximately $374,000 of the penalty was transferred to the Contra Costa Resource Conservation District to improve the Carquinez waterfront and provide common use space for picnics, recreation, and access to the San Francisco Bay trail.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6321, 6321.2, 6501.1, 6503, 6503.5, and 6505.5; California Code of Regulations, title 2, sections 1911, 2000, and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

The Facility resides on filled tidelands in an area occupied by industrial uses. Operation of the Facility does not substantially interfere with recreation, fishing, or commerce in the adjacent waterways and does not produce impacts that impair or limit Public Trust values on or near the lease premises. The Applicant maintains the access road adjacent to the Facility which supports public access to the waterfront, and the treatment of the community's wastewater and wastewater helps contribute substantial cost savings to support the economy of the region.

Since the construction of the C&H Sugar Refinery in the early 1900s, and for over 120 years of continuous operation, C&H donated to numerous community entities, sponsored local events, and maintain Rithet Park and the Crockett Museum. C&H has also participated in townhall sessions to listen to the concerns from Crockett residents. The townhall sessions, organized by the Crockett Community Services District, are planned to continue on an as needed basis for the community to discuss concerns such as sewer charges, traffic conditions, and other community events. C&H continues to engage with the community at townhall meetings and other local events.

During the review of the lease area, staff became aware that the access road, known as Dowrelio Road, adjacent to the trailer parking area and Facility, was on

sovereign land and under the Commission's jurisdiction. The access road is used and maintained by the Lessee for both Facility operations and access to the parking area. However, the access road is also the primary public access point to the Crockett waterfront.

The Crockett waterfront is one of the few areas for the community to access the Carquinez Strait for recreation. The access road offers a significant public benefit and year-round access to a water-dependent recreational amenity. From the waterfront, the public can fish in the Carquinez Strait and enjoy scenic views. The availability of open space and outdoor recreation areas helps offset social and environmental strains on the community's general population.

Staff recommends that the Commission authorize the issuance of a new lease for a term of 25 years and that the lease include a surety bond or other security in the amount of $2,000,000. The recommended bond amount is based on a recently prepared cost estimate for the removal and disposal of the facility improvements from sovereign land. The bond protects the State from the potential financial burden of removing the structures at some future date.

Staff's recommendation to authorize the issuance of a new lease is based on multiple factors, including the treatment of the community's wastewater at a substantially lower cost than other treatment options, the Applicant's maintenance of an important waterfront public access road, and the economic impact should the Facility be decommissioned.

Staff concludes that the issuance of this lease will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the proposed term of the lease and is in the best interests of the State.

CLIMATE CHANGE:

INTRODUCTION:

The climate crisis and rising sea levels are impacting coastal California now. As underscored in the State of California Sea Level Rise Guidance (Ocean Protection Council, 2024), the combination of extreme weather events and the persistent and accelerating rise in sea levels will lead to increased coastal hazards, such as wave runup, storm surges, flooding, and erosion. Shorelines will move inland due to rising seas, exposing more of the natural and human-built environment to coastal hazards. The resulting damage will occur repeatedly and incrementally over years and, in extreme cases, over the span of a few large winter storms. These impacts

may affect the existing wastewater treatment facility, access road, and appurtenant facilities subject to the proposed lease, located on the Carquinez Strait.

DATA & PROJECTIONS:

Sea levels along most of the California coast rose four to eight inches during the last century, and this trend will accelerate throughout this century. The current rate of sea level rise is triple the rate during the last century. There is growing confidence that by 2050 sea levels will be approximately ten inches higher than they were in 2000. The severity of sea level rise beyond 2050 is contingent on future levels of greenhouse gas emissions. The California Ocean Protection Council updated the State of California Sea Level Rise Guidance in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. To apply a precautionary approach, Commission staff evaluated the "intermediate-high" and "high" scenarios due to the vulnerability and exposure of the lease location and the continued global reliance on fossil fuels. The San Francisco tide gauge was used for the projected sea level rise scenario for the lease area, as listed in Table 1.

Table 1. Projected Sea Level Rise for San Francisco

Year	Intermediate-High (feet)	High (feet)
2040	0.7	0.8
2050	1.0	1.3
2070	2.2	2.9
2100	4.8	6.5

Source: Table 6, State of California Sea Level Rise Guidance: 2024 Update
Note: Projections are with respect to a 2000 baseline.

In addition to rising seas, warmer temperatures have led California and the Southwest region to experience a megadrought from 2000 to 2022, measured as the driest 22 years in the past 1200 years, and more megadroughts are projected through the end of the century (U.S. Global Change Research Program, Ch. 28. Southwest. In: Fifth National Climate Assessment. 2023.). Hotter and drier conditions have led to declines in snowpack volumes, higher-elevation snow lines, earlier snowmelt, and reduced overall runoff. Streamflow and river volumes are lower and will be drawn down farther as temperatures continue to rise and demand for water increases. Despite the region's increasing aridity, flooding from extreme precipitation events is projected to increase, attributed to earlier snowmelt, sea level rise, and more intense and frequent atmospheric rivers. Minor and moderate

flooding (flooding events defined as disruptive to damaging), attributed to higher water levels, is expected to increase five to ten orders of magnitude by 2100, according to NOAA's 2022 Sea Level Rise Technical Report.

ANALYSIS:

Commission staff used the online sea level rise mapping tool, Our Coast Our Future, to evaluate risks to the lease premises and structures from sea level rise. At present sea levels, the lease premises are already regularly flooded and subjected to wave impacts and erosion, which could potentially damage any structures or improvements on the lease premises. Episodic or short-term events, such as extreme storms, very high or King tides, and El Niño events, alone or in combination, will increase the vulnerability of the lease premises and expose it to higher water levels and stronger wave runup, overtopping, and erosion.

Changes to the timing and amount of runoff from the higher elevations of the watershed, stronger storm surge, and rising water levels could also result in higher flood risks. Bank stability may be compromised due to increased channel erosion and undercutting from more intense precipitation and floods. This increase in sea level combined with more frequent and stronger storm events will likely expose the lease area to higher flood risks, comprised of greater total water levels for longer periods of time.

RECOMMENDATIONS:

To reduce the likelihood of adverse impacts to the lease premises and improvements, the lessee should inspect fixed structures frequently and monitor for degradation, replacing damaged parts when necessary or when exposure to extreme heat, stormwater runoff, or flooding compromises structural function and integrity. Any future construction or activities on State land would require a separate authorization from the Commission.

Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation or dislodgement. Pursuant to the proposed lease, the Applicant acknowledges that the lease premises and adjacent upland are located in an area that may be subject to the effects of climate change, including sea level rise.

CONCLUSION:

For all the reasons above, staff believes the proposed lease will not substantially interfere with Public Trust needs and values at this location, at this time, and for the proposed term of the lease; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. If the Commission denies the Application, the Applicant may be required to remove the improvements and restore the lease premises to their original condition. The lessee has no right to a new lease or renewal of any previous lease.
2. This action is consistent with the "Leading Climate Activism," "Prioritizing Social, Economic, and Environmental Justice," "Partnering with Sovereign Tribal Governments and Communities," "Meeting Evolving Public Trust Needs," and Committing to Collaborative Leadership" Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.
3. Staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

   Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15061.

APPROVALS OBTAINED:

- U.S. Environmental Protection Agency
- San Francisco Regional Water Quality Control Board

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the proposed term of the lease; and is in the best interests of the State.

AUTHORIZATION:

Authorize issuance of a General Lease – Industrial Use to the Applicant beginning August 1, 2026, for a term of 25 years, for the use and operation of a wastewater treatment facility, access road, and appurtenant facilities; annual rent in the amount of $107,413, with an annual Consumer Price Index adjustment and the State reserving the right to fix a different rent periodically during the lease term, as provided for in the lease; liability insurance in an amount no less than $10,000,000 per occurrence; and security in the amount of $2,000,000.