

**CALENDAR ITEM
C87**

A 11
S 7

06/23/11
PRC 3454.1
D. Oetzel

REVISION OF RENT

LESSEE:

Tesoro Refining and Marketing Company
150 Solano Way
Martinez, California 94553

AREA, LAND TYPE, AND LOCATION:

11.24 acres, more or less, of sovereign land in Suisun Bay, near the city of Martinez, Contra Costa County.

AUTHORIZED USE:

Continued use and maintenance of the Avon marine terminal.

LEASE TERM:

10 years, beginning January 1, 1980, with two successive renewal options of 10 years each.

CONSIDERATION:

This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this lease, and recommends that the rent be revised from \$143,200 per year to \$170,462 per year, effective January 1, 2012.

OTHER PERTINENT INFORMATION:

1. This lease expired December 31, 2009, after the Lessee exercised their two 10-year renewal options. The lease is currently in holdover, and the terms of the prior lease remain in effect, allowing the Commission to adjust the rent on every fifth anniversary or on any one of the next four anniversaries following the five-year anniversary is missed.
2. Negotiations are currently ongoing with Tesoro for a new lease for this marine oil terminal and Tesoro's neighboring Amorco Marine Oil Terminal Lease No. (PRC 3453.1). In the event that lease negotiations for Avon

CALENDAR ITEM NO. C87 (CONT'D)

extend beyond the next anniversary date, the new rental would apply effective January 1, 2012.

3. Until recently, Tesoro had committed to decommission the Avon Terminal by April 1, 2013 because of the high cost to retrofit the facility to bring it into compliance with the Commission current Marine Oil Terminal Engineering Standards (MOTEMS). Tesoro represented that it was pursuing an arrangement with other terminal operators that would allow it to transfer product by tank vessel without the use of the Avon terminal.
4. On May 17, 2011, Tesoro representatives met with CSLC staff. At this meeting, Tesoro changed its proposal and said it planned to bring the Avon Marine Oil Terminal into full compliance with MOTEMS and would not be decommissioning the facility. Pursuant to this new proposal, Tesoro asked that it be allowed to continue operation of the terminal beyond the 2013 Decommission date, pending completion of the review of its lease application, substantial progress on a new EIR, and work on the facility to bring it into full compliance with MOTEMS. Tesoro said they expected the Avon facility to be brought into full MOTEMS compliance by June 1, 2015, at which time an EIR and new lease would be brought to the Commission for its consideration.
5. CSLC staff agrees conceptually with Tesoro's proposal, subject to conditions that assure there will be expeditious and meaningful progress made toward full compliance with MOTEMS prior to the initially agreed upon decommission date of April 1, 2013.

EXHIBITS:

- A. Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

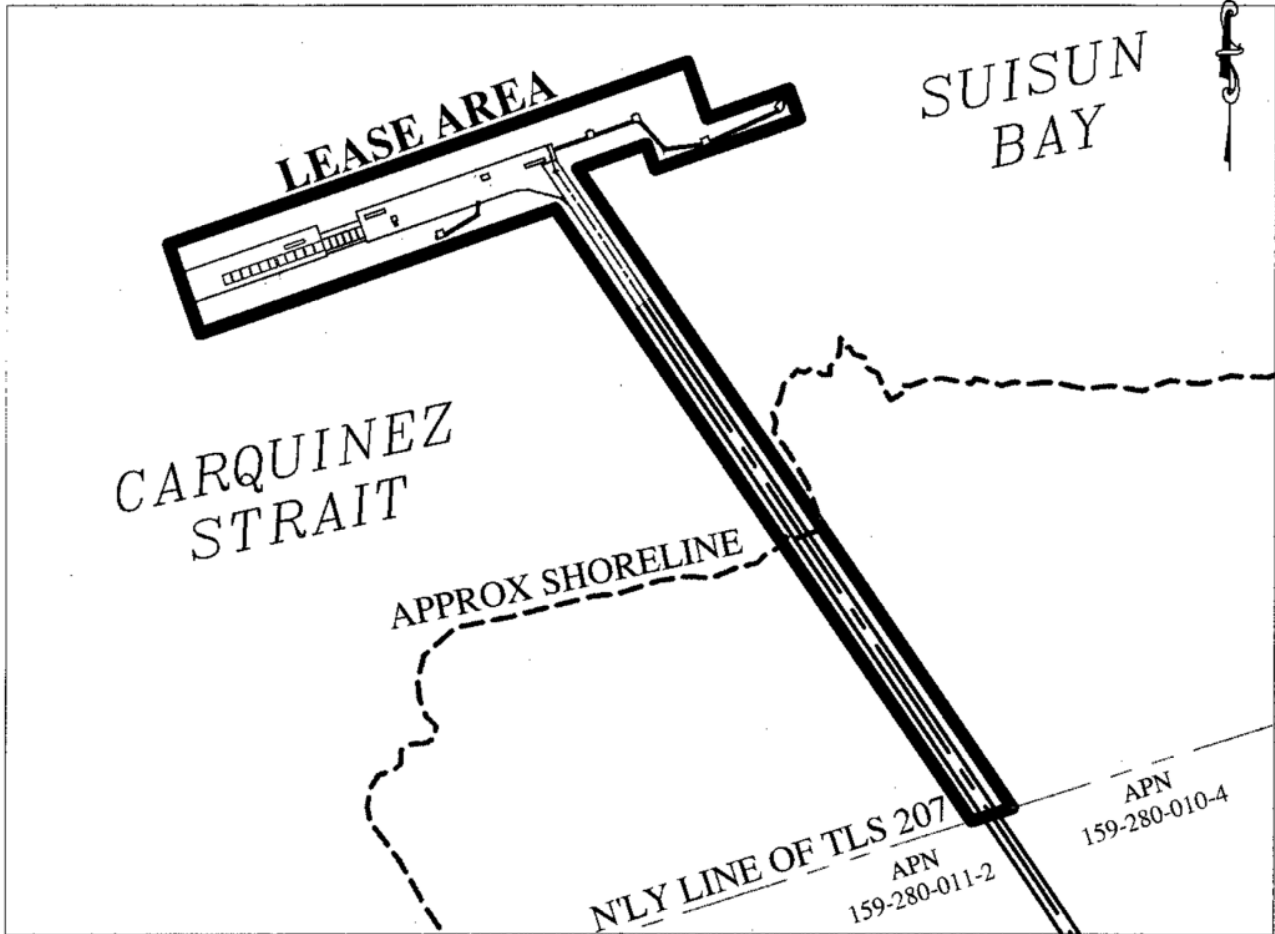
Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Approve the Revision of Rent for Lease No. PRC 3454.1 from \$143,200 per year to \$170,462 per year, effective January 1, 2012.

NO SCALE

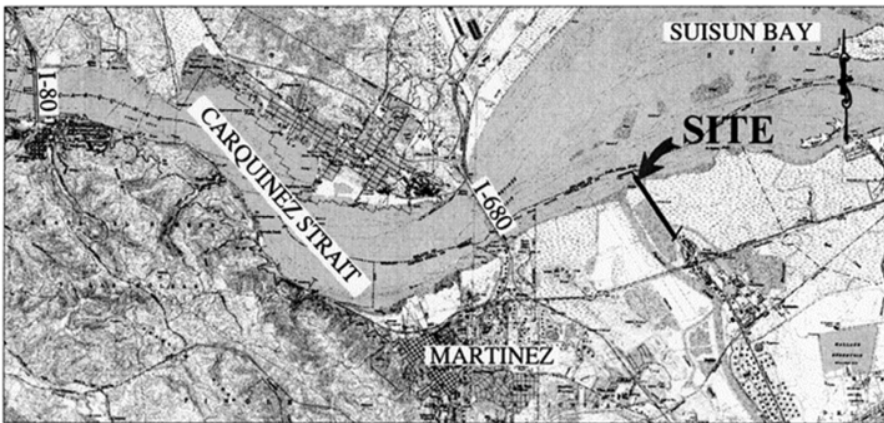
SITE



Avon Wharf, Suisun Bay near Martinez

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

PRC 3454
 TESORO
 APN 159-280-010-4,-011-2
 GENERAL LEASE -
 INDUSTRIAL USE
 CONTRA COSTA COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

MJF 5/24/11