

**STAFF REPORT
C82**

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M. Moser

**CONSIDER TEMPORARILY RELIEVING THE CITY OF MARTINEZ FROM A
REQUIREMENT TO TRANSMIT 20 PERCENT OF THE REVENUE GENERATED
FROM ITS GRANTED LANDS TO THE STATE**

TRUSTEE:

City of Martinez

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 (SB 1424, Wolk), which updated and reorganized the City's existing grants and granted the City an additional Public Trust parcel, the Martinez Marina (marina).

Before Chapter 628, the marina was under the Commission's leasing jurisdiction. In 1964, the Commission authorized a 49-year lease with the City for small craft harbor facilities, park and recreational facilities, and commercial and industrial facilities. The Commission received an annual rent from the lease that was deposited into the State's General Fund. Chapter 628 transferred the State's right, title, and interest in the marina to the City, terminating the lease between the Commission and the City.

Consistent with recent legislative trust grants, Chapter 628 includes a revenue sharing agreement to address the loss of revenue to the State's General Fund from the land transfer and lease termination. The City is required to transmit 20 percent of the annual revenue generated from its granted lands to the Commission at the end of every fiscal year, of which 80 percent is deposited in the State's General Fund and 20 percent in the Kapiloff Land Bank Fund that the Commission administers as Trustee of the Kapiloff Land Bank.

When SB 1424 was introduced, the marina was (and still is) in significant disrepair. The City owed approximately \$4.2 million to the State for maintenance and infrastructure improvements, including repairs to the breakwater, public restrooms, parking area work, landscaping, relocating berths, and dredging, among other things. An ongoing and persistent issue is the large amount of sediment flowing into the marina because of the seawall design and disrepair. This issue is persistent and ongoing. In recognition of the deteriorated conditions at the marina, SB 1424 authorized the Commission, at its discretion, to

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temporarily relieve the City of its obligation to transmit 20 percent of the revenue generated from the granted lands to the State. The purpose was to enable the City to improve the deteriorated conditions at the marina, such as conducting dredging necessary to address siltation and restore depth for launching, berthing, and safe navigation in the marina.

On January 26, 2018, the City requested relief, for fiscal year 2016-17, from the obligation to transmit 20 percent of the revenue generated from the granted lands. On May 8, 2018, the City requested relief from the same obligation for fiscal year 2017-18.

STAFF ANALYSIS:

Section 7, subdivision (d)(2) of Chapter 628 allows the Commission to relieve the City of its obligation to transmit 20 percent of the gross revenue generated from the granted lands to the State until the fiscal year ending on June 30, 2021.

The revenue generated from the marina is insufficient to keep pace with maintenance needs and redevelop the marine because of the marina's poor condition and infrastructure needs. Only 130 of the 332 slips are in use because of the poor dock conditions and high levels of siltation. In most cases, the slips are sitting in mud, damaging the docks and water pipes. A maintenance dredge to 6 feet in parts of the marina has allowed the opening of 130 of the slips. Repairs to the wooden docks and water pipes are ongoing.

The revenue generated from the marina is placed into the City's Marina Service Enterprise Fund. The City is striving to develop a marketing plan to redevelop the marina and targeting 2020 as the date for finalizing the redevelopment strategic objectives. The City has allocated \$965,000 from its Assigned Infrastructure Fund Balance Reserve for the design and construction phases of the 2017 Martinez Marina Maintenance Dredge Project. An additional \$28,000 was allocated for a Breakwater and Docks Assessment with Anchor QEA, an environmental planning firm. The City continues discussions with a private dredging company interested in dredging the harbor and the slips within the marina in exchange for extracted sediment material and the opportunity to process, dry, and transport the material on-site in the City's ponds.

Staff has reviewed the requests from the City for relief from its revenue transmittal obligation for fiscal years 2016-17 and 2017-18 and determined that the revenue generated from the marina over the past two fiscal years has scarcely covered the marina's basic operation and maintenance costs. If reinvested in the granted lands, the revenue generated from the grant in the previous fiscal years would help to improve the conditions at the marina. Staff recommends relieving the City of its obligation for these two fiscal years with the

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option for the City to request additional relief on an annual basis. Staff believes the relief of the City's obligation will further Public's Trust needs through the reinvestment of the money into the granted lands.

OTHER PERTINENT INFORMATION:

1. In September 2014, Governor Jerry Brown Jr. signed SB 1424 (Wolk) into law. In his signing message, the Governor stated he was signing the bill because it provides the City an opportunity to revitalize the marina and prevent its closure and enables the City to repay its existing debt obligations to the State. The Governor stated that he encouraged the Commission to exercise its discretion to allow the City to improve the trust lands and meet its debt repayment obligations.
2. The City keeps all revenue generated by the marina in a separate Marina Enterprise Fund.
3. The City reports the following operating revenues and expenditures generated on their granted lands by fiscal year:
 - a. [2014-15](#) – Revenues: \$18,764 and Expenditures: \$39,517
 - b. [2015-16](#) – Revenues: \$19,072 and Expenditures: \$19,812
 - c. [2016-17](#) – Revenues: \$206,157 and Expenditures: \$302,178
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 2014–15 and 2015–16 fiscal years.
 - a. [Item C93, June 29, 2015](#)
 - b. [Item C61, October 13, 2016](#)
5. The proposed action is consistent with Strategy 1.2 of the Commission's Strategic Plan to provide that the current and future management of ungranted sovereign lands and resources and granted lands, including through strategic partnerships with trustee ports and harbor districts, are consistent with evolving Public Trust principles and values.
6. 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.

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Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

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 lands to the State due on June 30, 2017, and June 30, 2018, pursuant to section 7, subdivision (d)(2) of Chapter 628.