



Rail Master Planning Services Amendment

April 6, 2020



Port of Stockton
CALIFORNIA

BACKGROUND

January, 2000: Rough & Ready Island Conveyance



Experienced Tremendous Growth:
Maritime, Real Estate, Rail Activity



Past Five Years:
Record-setting Maritime Tonnage, Warehouse Occupancy



Identify Rail Infrastructure Expansion Alternatives:
Increase capacity and operational efficiencies of rail network

PROJECT OVERVIEW

JMA Civil provides on-call engineering services to the Port

RAIL MASTER PLAN UNDER DEVELOPMENT

- ✓ Support long term growth needs
- ✓ Analyze:
 - Existing rail inventory
 - Rail operational utilization
 - Available rail operational capacity
 - Growth constraints
- ✓ Identify rail infrastructure expansion alternatives

PROJECT OVERVIEW

AMENDMENT: AERIAL TOPOGRAPHY

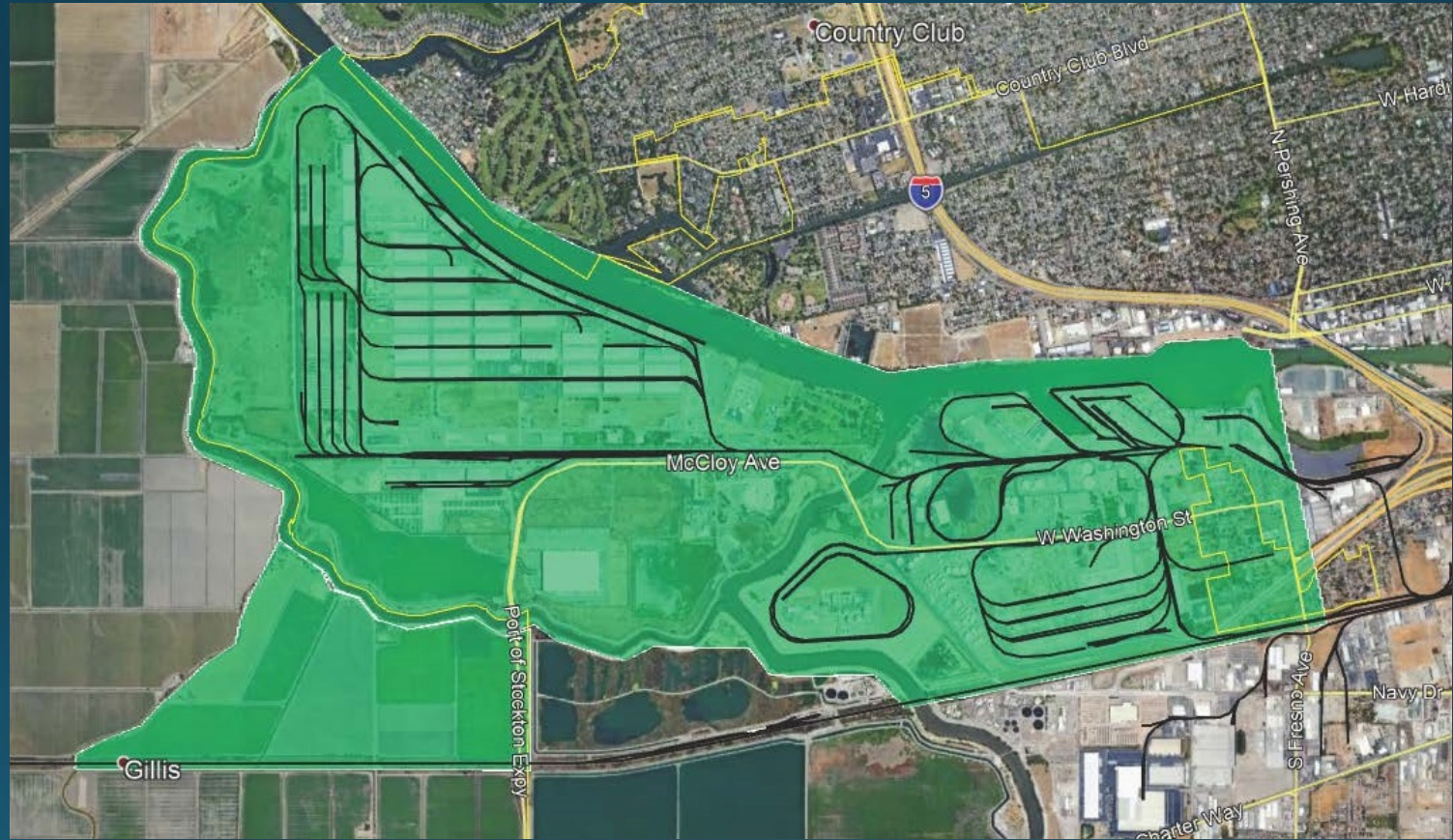
ORTHO-RECTIFIED PHOTOS AND PHOTOGRAMMETRY

Ortho-rectified color aerial photos with aerial survey data, stamped by licensed Professional Land Surveyor

- Aerial topography: Maps large layers of land using cameras mounted on aircraft
- Ortho-rectified photos: Geometrically corrected photos which follow a given map projection; used to measure true distances adjusting for topography, lens distortion, and camera tilt.

TOPOGRAPHIC SURVEY LOCATION

EAST & WEST COMPLEXES



BENEFIT / COMPLETION TIME / FINANCING

AD HOC COMMITTEE

Ad Hoc committee meeting held on March 16, 2020.
Recommendation: Place item on Commission meeting agenda.

BENEFIT TO THE PORT

- Supports long term growth needs
- Deliverables suitable for detailed design

COMPLETION TIME

- Completion within 4 to 5 weeks from the Port's Notice to Proceed.

FINANCING

Port staff proposes that the Port pay for this project using the Port general fund: \$98,000

Thank you



PUBLIC HEARING
NuStar Amended & Restated Lease
4/6/20

Project Vicinity Map



Site Plan



Prior Board Lease Negotiations

The Board held a closed session meeting regarding lease negotiations for this project at their regularly scheduled March 16, 2020 meeting.

Although the Board took no formal action during this meeting, they did provide direction to staff to set this matter for public hearing at their next available regularly scheduled meeting.

Background

- NuStar has been a Tenant at the Port since 1988 (started as Support Terminal Services – STS)
- Existing terminal occupies approx. 18 acres and is rail served
- Site contains 33 above ground storage tanks with a capacity of 878k barrels (138k tons)
- The terminal operations currently receives gasoline via the Kinder-Morgan pipeline and ethanol by rail
- Prior lease contained option periods that could have extended the lease to April 2034

Project Summary

- NuStar is proposing to connect its existing terminal on Navy Drive by pipeline to Docks 10/11
- The Marine Oil Terminal Engineering Standard (MOTEMS) pipeline will handle inbound renewable diesel
- The pipeline is approx. 3,400 feet long, 12 inches in diameter
- A pipeline manifold will be located near Dock 10/11
 - The manifold area will be below grade, about 2,900 sq. ft.
 - Unloading time is approx. 18 hours
- The project is designed to handle annual volume up to 272k tons
 - 12 vessels per year
 - 4,238 annual truck trips
- NuStar has invested approx. \$1.2 million to date in project design and engineering
- Commercial operation is expected to start by June 2021

Lease Terms/Information

Lease Term – 10 years w/ four 10-year option periods

MAG Term – 10 years w/ four 10-year option periods

- 175k ton MAG
- Tenant wanted flexibility to match customer needs
- Tenant is required to remove improvements if there is no active MAG

Escalations – Annual standard CPI, reappraisal to market every 10 years

Capital Investment – Est. \$20 million

Annual Revenue

Rent	- \$29,816 p/m or \$357,800 annually
TPC	- \$108,000 average
Rail	- \$158,400 (est. 4,800 cars)
Maritime	- \$1,073,290 (@ 200k tons)
Total	- \$1,697,490

Jobs – 15 FT staff, avg. \$70k p/y; 30 construction jobs

Financials

- NuStar is publicly traded (parent co. NuStar Energy L.P. market cap is \$2.85 billion)
- NuStar has the capacity to fund this estimated \$20 million project with existing lines of credit and available debt options and has shown historical evidence of their ability to use the capital markets to fund growth and overall operations.
- Risk to the Port appears manageable with construction risk supported by a construction guaranty from the parent company and consistent payment history with this long term tenant.
- No delinquency issues have been reported.

Environmental

California Environmental Quality Act Documentation: An EIR was prepared to determine whether the proposed project would present potential significant impacts and to determine whether such effects would require mitigation measures to limit the effects.

Public Comments Received and Response to Comments: The DEIR was released and distributed on December 16, 2019, for a 45-day review period, which ended on January 29, 2020.

The Port received five comment letters on the DEIR from the California Air Resources Board (ARB), California Department of Toxic Substances Control, California State Lands Commission, San Joaquin Valley Air Pollution Control District, and Delta Sierra Group of the Sierra Club. In addition, one email was received from ARB. Pursuant to Section 15088 of the CEQA Guidelines, the Port reviewed all comments received during the review periods for the DEIR and responded to each comment in Chapter 2 of the FEIR.

Mitigation Monitoring Reporting Program: Pursuant to Assembly Bill 3180, an MMRP was prepared to verify compliance with individual mitigation measures identified as part of the FEIR.

Environmental

FINDINGS

The FEIR and Findings of Fact and Statement of Overriding Considerations, transmitted herewith, identify major findings and conclusions, including a recommendation that the proposed project be approved over the two project alternatives, a discussion of areas of environmental concern, feasible mitigation measures, and identification of unavoidable impacts. The following discussion summarizes the proposed Findings of Facts for the Board's consideration.

In making findings on alternatives to the proposed project, the Port certifies that it has independently reviewed and considered the information on alternatives provided in the DEIR, including the information provided in the comments on the DEIR and the responses included in the FEIR. The Port further finds that the FEIR analyzes a reasonable range of project alternatives that would feasibly attain most of the basic objectives of the proposed project and would substantially lessen one or more of the significant impacts of the proposed project, and adequately evaluates the comparative merits of each alternative.

Recommendation

The Board is asked to adopt an ordinance providing for the certification, adoption and approval of the following actions:

- Certify that the Final Environmental Impact Report (FEIR) for the NuStar Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) Development and Vessel Service Project (proposed project): a) has been completed in compliance with the California Environmental Quality Act (CEQA; Public Resources Code Section 21000 et seq.) and the CEQA Guidelines (14 California Code of Regulations Section 15000 et. seq.); b) was reviewed and considered by the Board of Port Commissioners prior to approving the proposed project; and c) reflects the independent judgment and analysis of the Port of Stockton (Port).
- Approve the proposed project as identified in the FEIR, including all feasible mitigation measures, with consideration and approval of the Findings of Fact, Statement of Overriding Considerations (FOF/SOC) and the Mitigation Monitoring and Reporting Program (MMRP).

Recommendation, con't

- Direct the Real Estate Division to incorporate by reference the EIR and MMRP into any and all lease agreements or assignments encompassed in the approved Project.
- Authorize Port staff to file the Notice of Determination.
- Approve the Amended and Restated Lease Agreement with NuStar Terminals Operations Partnership L.P. for the construction of a $\pm 3,400$ -foot underground MOTEMS pipeline and related improvements connecting Dock 10/11 to an existing bulk petroleum terminal on ± 18 -acres located at 2941 Navy Drive for an initial term of 10-years with four 10-year option periods.



QUESTIONS