

FILE NUMBER: 2024-358

DATE: Tuesday, September 10, 2024

SUBJECT: Ordinance Granting Lease to NASSCO for Lot 20 Mooring Position

DESCRIPTION: Ordinance Granting a 16-Year and Three-Month Lease to National Steel and Shipbuilding Company for the Lot 20 Temporary Mooring Location at 2798 Harbor Drive, San Diego

EXECUTIVE SUMMARY:

National Steel and Shipbuilding Company (NASSCO) has a 50-year lease with the District through December 31, 2040, that is comprised of approximately 79 acres of land and 47 acres of water area located at 2798 Harbor Drive in San Diego (Existing Lease). NASSCO specializes in the design, construction, and repair of ships for military and commercial customers.

On September 12, 2023, the Board of Port Commissioners (Board), adopted Resolution No. 2023-081 certifying the Final Environmental Impact Report (FEIR) for the NASSCO Floating Dry Dock Replacement and Waterfront Improvement Project (Project), adopted Resolution No. 2023-082 granting concept approval for the Project, and adopted Resolution No. 2023-083 authorizing the issuance of a non-appealable Coastal Development Permit. The Project includes four distinct elements, including: (1) replacement of the Repair Complex Wharf; (2) repairs to the quay wall and revetment along stretches of shorelines throughout the NASSCO leasehold; (3) as-needed structural repair and/or replacement of selected piles at shipyard berths and piers; and (4) removal and replacement of the existing floating dry dock and construction of supporting infrastructure, including mooring dolphins. The September 12, 2023 Agenda Sheet describing the Project and the Board actions is included at Attachment A.

While project elements one through three would occur within NASSCO's Existing Lease, a portion of project element four would occur outside of NASSCO's existing leasehold in water area granted to the District by the State Lands Commission (SLC) via Senate Bill 507 (SB 507). Specifically, NASSCO would construct a new mooring dolphin outside of their existing leasehold for the purposes of repositioning and securing a floating dry dock on a temporary basis during vessel launches from the ways and building dock, hereinafter collectively referred to as "Lot 20".

Since a portion of Lot 20 is located outside of NASSCO's Existing Lease, the District and NASSCO have negotiated a proposed new 16-year and three-month lease for Lot 20 (Lease) that would be coterminous with the Existing Lease and is included as Attachment B. The Lease would consist of approximately 97,018 square feet of water area and would be located immediately west of NASSCO's Existing Lease (Attachment C – Lot 20 Location Map). The Lease would provide rent to the District in the amount of \$162,984 per year (or \$0.14 per square foot/month) which is comparable to neighboring water leases in SB 507 granted water. The Lease would allow the temporary mooring of the drydock during vessel launches only, and this Lease area would remain open to public

navigation most of the time, except for when the drydock is in the temporary mooring position. The Lease will allow NASSCO to operate more efficiently by reducing the amount of time and operations required to release newly constructed or repaired vessels into the water from NASSCO's ways and building docks. The Lease would not result in an increase or expansion of NASSCO's operations and major ship repair, and construction work would not occur in the drydock while it is located in the temporary mooring position.

Staff recommends that the Board adopt an ordinance granting the new Lease to NASSCO for the Lot 20 Temporary Mooring Location.

RECOMMENDATION:

Adopt an Ordinance Granting a 16-Year and Three-Month Lease to National Steel and Shipbuilding Company for the Lot 20 Mooring Dolphin Located at 2798 Harbor Drive, San Diego

FISCAL IMPACT:

The Lease provides rent to the District in the amount of \$162,984 per year, which will be escalated by four percent (4%) annually. Since the lease is for water area granted in trust to the District pursuant to SB 507, the District is required to pay SLC approximately 20% of the net new revenue generated from the lease.

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goal(s).

- A thriving and modern maritime seaport.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

National Steel and Shipbuilding Company (NASSCO) has a 50-year lease with the District through December 31, 2040 that is comprised of approximately 79 acres of land and 47 acres of water area located at 2798 Harbor Drive, San Diego (Existing Lease). NASSCO specializes in the design, construction, and repair of ships for military and commercial customers.

As discussed above, the Lease will allow for the temporary siting of a drydock in the water area adjacent NASSCO's existing lease. Lot 20 would only be used on a temporary basis for the purposes of repositioning and securing a floating dry dock during vessel launches from the ways and building dock. NASSCO would construct a new mooring dolphin on the Lease premises to allow for the siting of the drydock. The Lot 20 project was analyzed in the NASSCO Floating Dry Dock Replacement and Waterfront Improvement Project FEIR (UPD# EIR-2023-006; Clerk Document No. 75953) authorized by the Board on September 12, 2023 via Resolution 2023-081 and the District authorized issuance of a CDP for the project via Resolution 2023-083 (CDP-2023-03). Since a significant portion

of Lot 20 is located outside of the U.S. Pierhead Line, that portion falls within the California Coastal Commission (CCC) CDP jurisdiction, and the CCC has issued a CDP No. 6-23-0515 (CCC CDP) for the Lot 20 project.

Since Lot 20 is partially located outside of NASSCO's Existing Lease, the District and NASSCO have negotiated a new 16-year and three-month lease for Lot 20 that would be coterminous with the Existing Lease. The Lease would consist of approximately 97,018 square feet of water area located immediately west of NASSCO's Existing Lease water area and beyond the U.S. Pierhead Line. The Lease would require NASSCO to strictly adhere to the mitigation measures and conditions identified in the FEIR, District CDP and CCC CDP. The Lease provides rent to the District in the amount of \$162,984 per year, which will be escalated by four percent (4%) annually. Since the lease is for water area granted in trust to the District pursuant to SB 507, the District is required to pay SLC approximately 20% of the revenue generated from the lease.

CONCLUSION

The Lease will allow NASSCO to operate more efficiently by reducing the amount of time and operations required to launch newly constructed or repaired vessels into the water from NASSCO's ways and building docks. The Lease will require NASSCO to strictly adhere to the mitigation measures from the FEIR and CDP authorized for issuance by the Board as well as the CDP issued by CCC. Staff recommends that the Board adopt an ordinance granting a new lease to NASSCO for the Lot 20 Temporary Mooring Location.

General Counsel's Comments:

The General Counsel's Office reviewed this agenda and approved the proposed lease agreement as presented to it as to form and legality.

Environmental Review:

The proposed Board action, including without limitation granting a 16 year and 3 month lease to National Steel and Shipbuilding Company for the Lot 20 Temporary Mooring Location, was adequately analyzed in the Final Environmental Impact Report (FEIR) for the NASSCO Floating Dry Dock Replacement and Waterfront Improvement Project (UPD#EIR-2023-006; SCH #2022040595, Clerk Document No. 75953) prepared and certified by the District on September 12, 2023 (Resolution No. 2023-081). The proposed project is not a separate project for CEQA purposes but is a subsequent discretionary approval related to a previously approved project. (CEQA Guidelines § 15378(c); Van de Kamps Coalition v. Board of Trustees of Los Angeles Comm. College Dist. (2012) 206 Cal.App.4th 1036.) Additionally, pursuant to CEQA Guidelines Sections 15162 and 15163, and based on the review of the entire record, including without limitation, the FEIR, the District finds and recommends that the proposed Board action does not require further environmental review as: 1) no substantial changes are proposed to the project and no substantial changes have occurred that require major revisions to the previous FEIR due to the involvement of new significant environmental effects or an increase in severity of

previously identified significant effects; and 2) no new information of substantial importance has come to light that (a) shows the project will have one or more significant effects not discussed in the previous FEIR, (b) identifies significant impacts more severe than those analyzed in the previous FEIR, (c) shows that mitigation measures or alternatives are now feasible that were identified as infeasible and those mitigation measures or alternatives would reduce significant impacts, or (d) shows mitigation measures or alternatives which are considerably different from those analyzed in the previous FEIR would substantially reduce one or more significant effects on the environment. Because none of these factors have been triggered, pursuant to CEQA Guidelines §15162(b), the District has determined no further analysis or environmental documentation is necessary. Accordingly, the proposed Board action is merely a step in the furtherance of the original project for which environmental review was performed and no supplemental or subsequent CEQA has been triggered, and no further environmental review is required.

The proposed Board action complies with Section 87 which allows for all visitor-serving commercial and industrial uses and purposes, and the construction, reconstruction, repair, and maintenance of commercial and industrial buildings, plants, and facilities. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

A portion of the Lot 20 project is located in an area that is under the CDP permitting jurisdiction of the CCC. The CCC issued CDP No. 6-23-0515 for their portion of the Lot 20 project on March 14, 2024. For the portion of the Lot 20 project located in the District's CDP permitting jurisdiction, the District authorized issuance of the CDP for NASSCO Floating Dry Dock Replacement and Waterfront Improvement Project on September 12, 2023 (Resolution No. 2023-083). The District CDP was issued on September 28, 2023 (CDP-2023-03; Clerk Document No. 75994). The proposed Board action is consistent with the CCC CDP and District CDP. Therefore, no additional action under the California Coastal Act is required at this time.

Diversity, Equity, and Inclusion Program:

This agenda sheet has no direct DEI impact on District workforce or contract reporting at this time.

PREPARED BY:

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Attachment(s):

Attachment A: Agenda for Item 2023-0211
Attachment B: Lease for Lot 20

Attachment C: Lot 20 Location Map