

Hub Park Lease

Gary T. Barberio, Assistant City Manager

June 21, 2016

Today's Agenda

- Purpose
- Lease history
- Lease provisions
- Opportunities
- Constraints & challenges
- Staff recommendation

Purpose

- Community member inquiries
- City Council member request

Lease History

- Result of activities initiated by SDG&E
 - Encina Power Plant
 - Macario Refinery proposal
- Entered into in 1975
- ±96 acres on Agua Hedionda Lagoon south shore



Two Firms Study Feasibility of Macario Refinery Near Carlsbad

Pacific Resources, Inc. of Hawaii and San Diego Gas & Electric Company are conducting a joint feasibility study for the construction of a refinery near Carlsbad.

The facility would produce low-sulfur fuel oils for power plants and either SNG (synthetic natural gas) or gasoline, but not both SNG and gasoline.

James F. Gary, PRI president, and Walter A. Zitlau, SDG&E president, said that the SNG configuration would require an investment of \$152 million, while the gasoline concept would require a \$134 million investment.

North of Airport

The proposed site is north of the Palomar airport, about three miles east of SDG&E's marine terminal at the Encina Power Plant. The site is owned by a wholly-owned SDG&E subsidiary.

Gary said that PRI, headquartered in Honolulu, would be the operator and majority owner. PRI owns GASCO, Hawaii's gas public utility, and operates the Hawaiian Independent Refinery, Inc., near Honolulu.

A delegation selected by the Carlsbad Chamber of Commerce recently returned from an inspection trip of the Honolulu facility.

SDG&E now receives approximately one-third of its low-sulfur fuel oil supply from the Hawaiian refinery.

SDG&E at this time is seen as the principal customer of the proposed facility, which has been named the Macario Independent Refinery.



The outlined 855-acre parcel of land proposed for the site of the Macario Independent Refinery is approximately three miles east of the Encina Power Plant (bottom center). The facility itself would be spaced on 310 acres well within the parcel boundaries.

Clean Plant Promised

Early Disclosure Made
"Because of its community importance," Zitlau said, "the two companies made an early disclosure, despite the fact that much planning remained to be done.

"During the next year, we will be conducting environmental and other studies, as well as appearing before the various public agencies concerned with air and water quality, land-use planning, construction standards, and other community interests to prove-out the proposal."

Both Zitlau and Gary emphasized that whatever is ultimately proposed from an engineering standpoint would permit plant operations to meet or exceed the appropriate local, state, or federal environmental standards.

"We built and we operate a clean plant in environmentally-conscious Hawaii, and with that experience we believe we have the credentials to plan and operate a facility that will meet the needs and desires of the people here," Gary said.

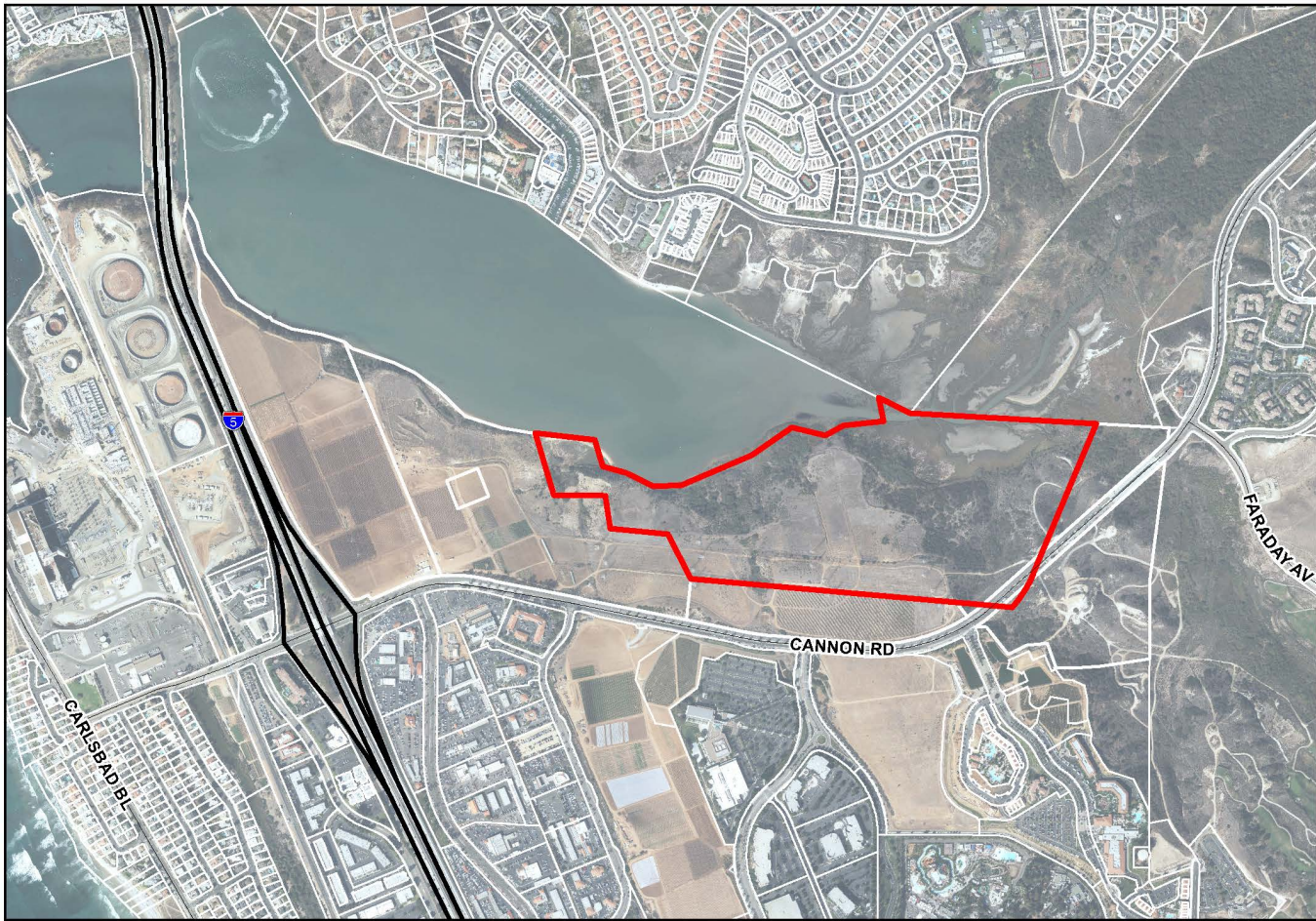
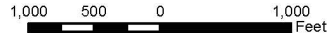


Exhibit 2 – Hub Park Lease Area

Legend
 Hub Park Lease Area



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Lease Provisions

- 60-year lease through 2035
 - Four extensions for 99 years or through 2074
- \$14,000 annual rent
 - Adopted plan and permits in place
- One-year notice to SDG&E to allow agricultural lease termination

Opportunities

- 96 acres
- South shore lagoon location and views
- Carlsbad Community Vision
- Consistent with OSCRMP and draft Trails MP
- Prop C – Open Space and trails fund
- Future trail connections

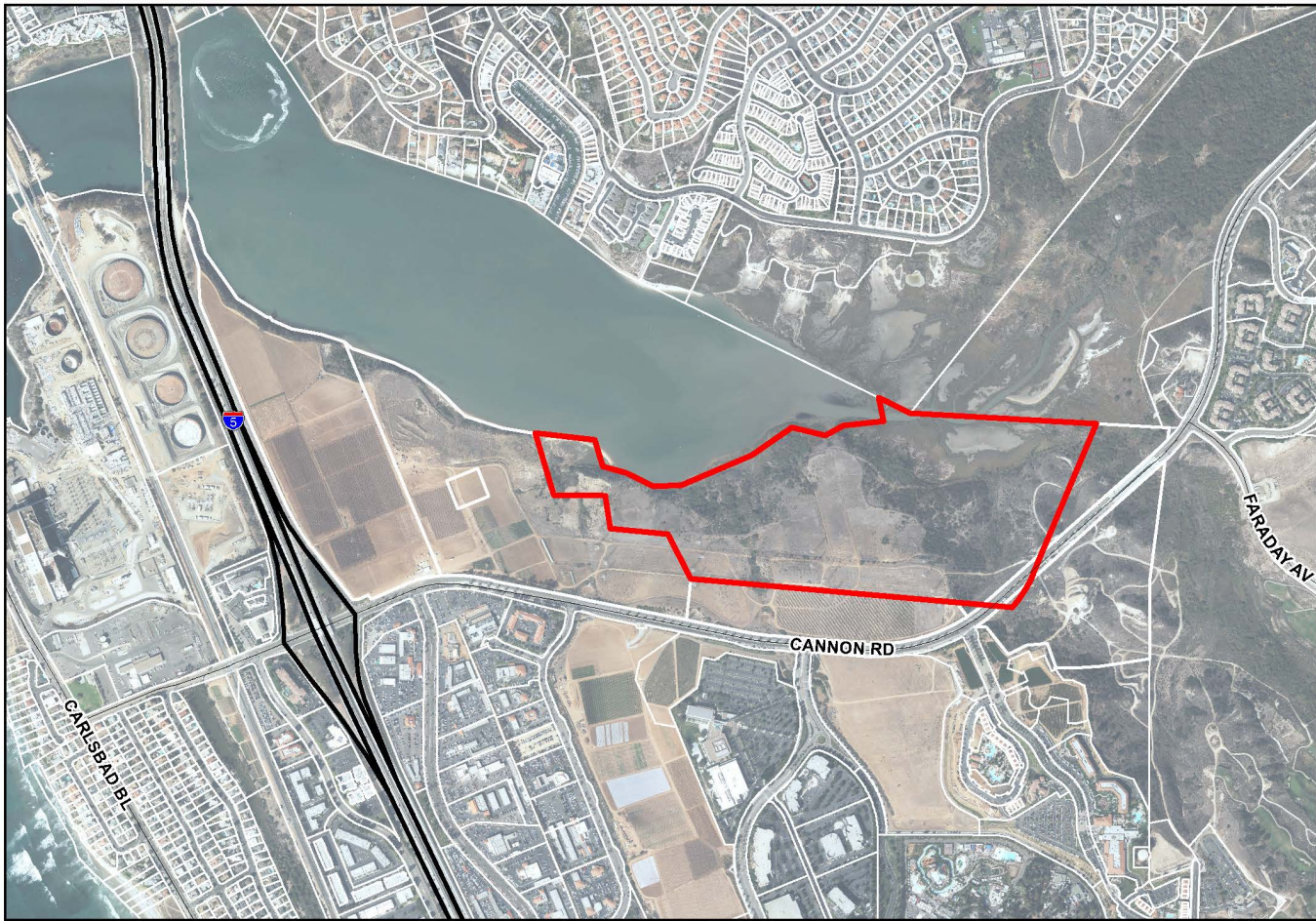


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Constraints & Challenges

- Property deed restrictions
- Land Use/ Zoning Policies, Regulations And Permits
- Environmental
- Physical
- Legal and Lease considerations

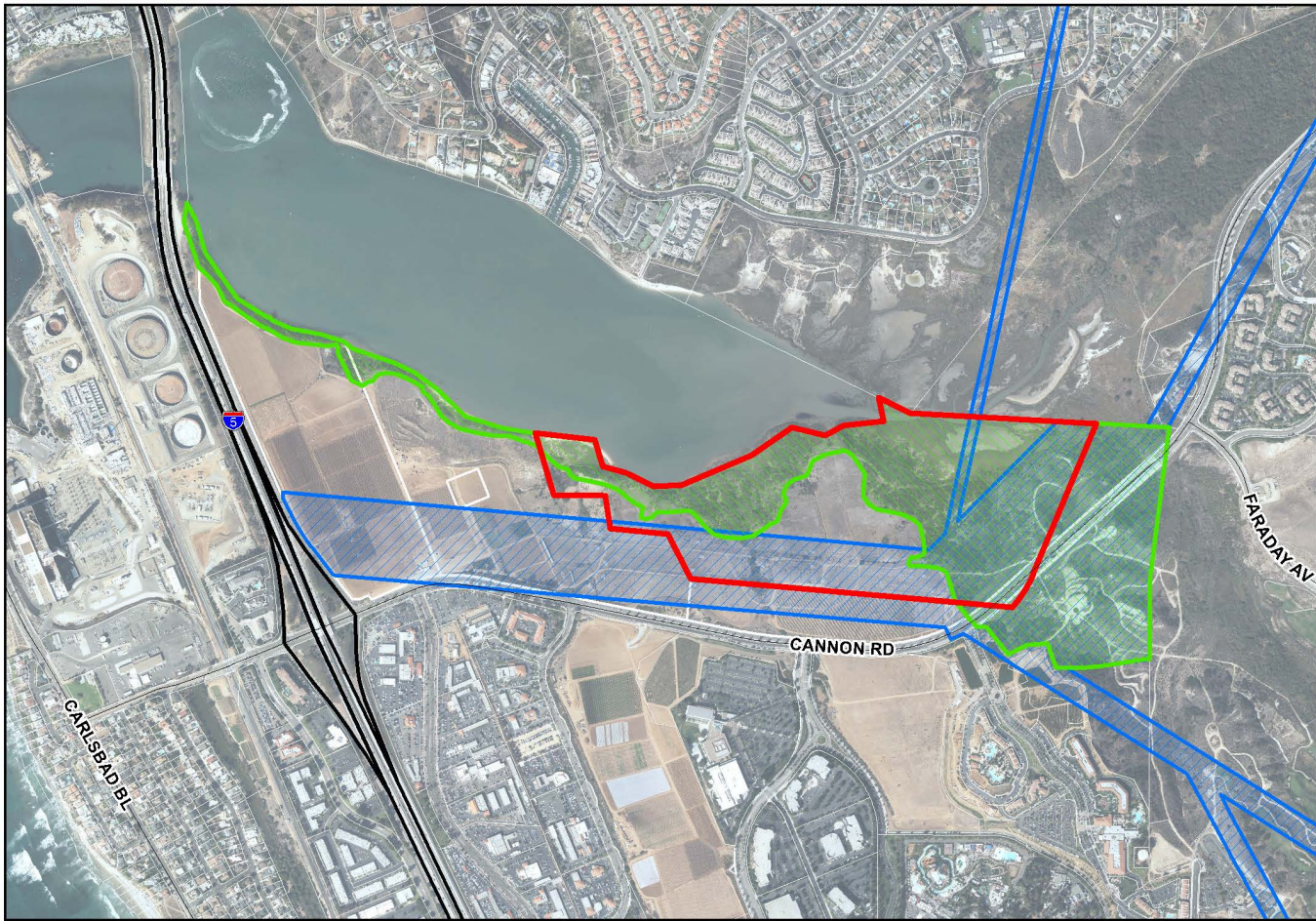
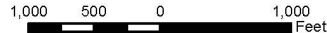


Exhibit 3 – Hub Park Lease Area Constraints

- Legend**
- Hub Park Lease Area
 - Open Space Deed Restriction
 - Utility Easement / Powerline Corridor



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Summary

- Opportunities exist
- Constraints and challenges are numerous
- Will require significant effort, time and resources

Recommendation

- Consider merits at the next City Council Goal Setting Workshop
- If, after goal setting workshop, City Council decides to move forward:
 - Staff will develop comprehensive work plan process, schedule, budget
 - Present work plan to City Council

Questions?

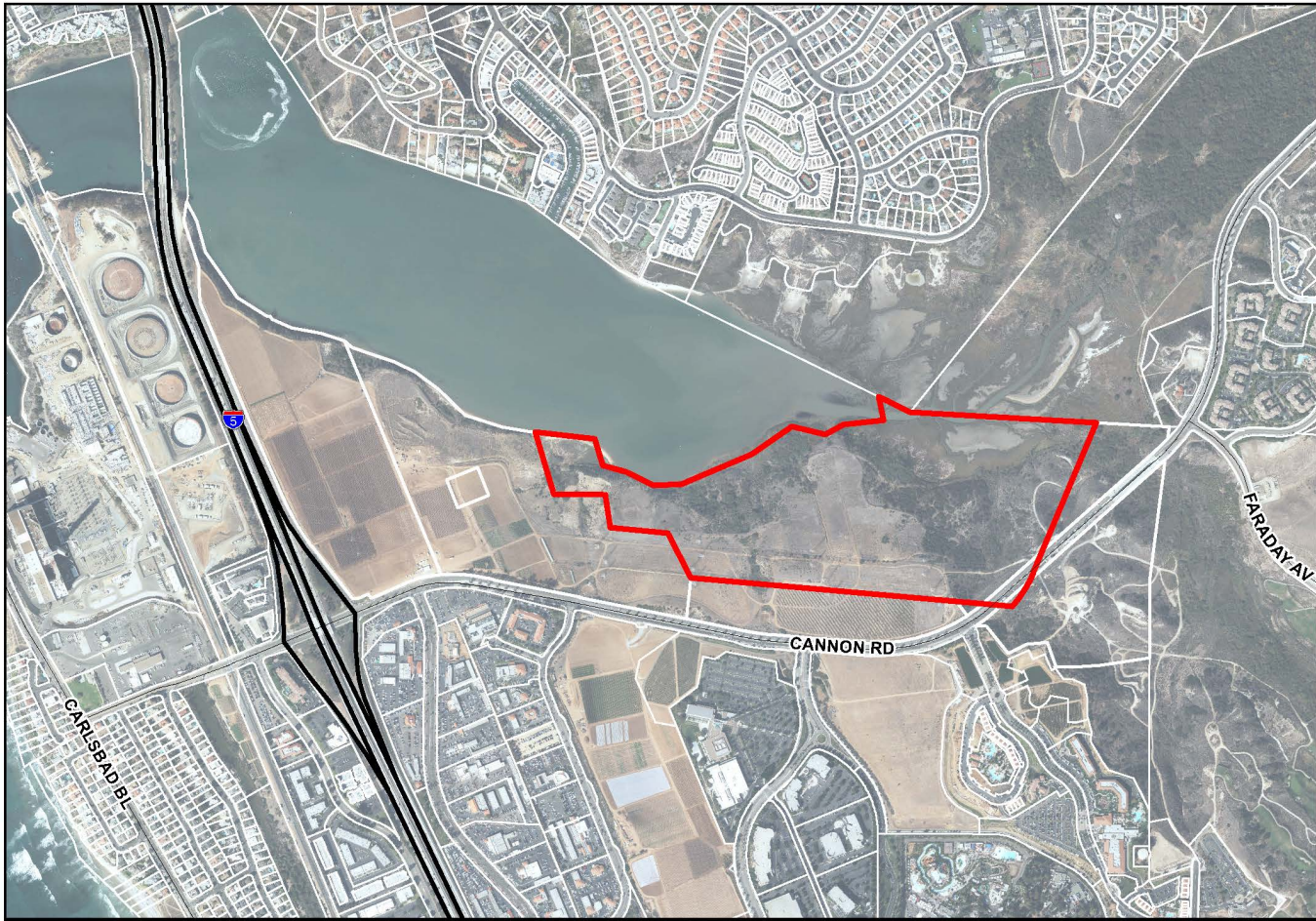
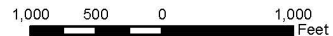


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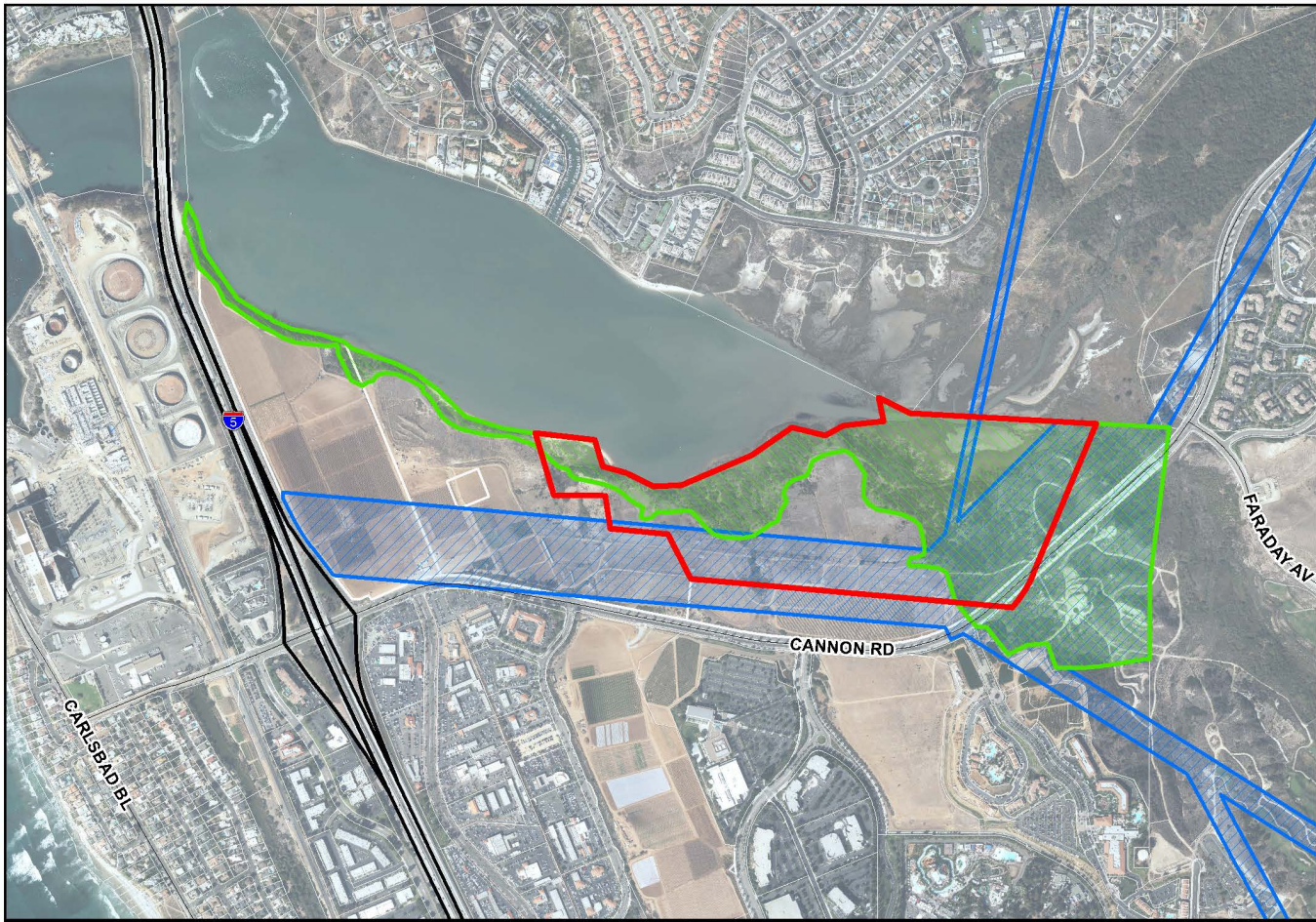
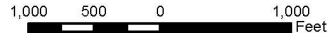


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