



## MEMORANDUM

April 4, 2025

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Gail Gilman, Vice President  
Hon. Willie Adams  
Hon. Stephen Engblom  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request approval of 2nd Amendment of Lease L-13002 to grant Martin Marietta Northern California Aggregates, LLC. a one-time retroactive rent credit in the amount of three hundred thirty-five thousand dollars (\$335,000.00) for delays outside of their control during their wind-down work of operations at Pier 94.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 25-18

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### EXECUTIVE SUMMARY

Martin Marietta Northern California Aggregates, LLC, a Delaware limited liability company ("Tenant") currently holds Lease L-13002 (the "Lease") with the Port of San Francisco ("Port") for 261,240 square feet of paved land and a non-exclusive berth at Pier 94 (collectively, the "Premises") for the operation of an aggregate materials storage and distribution facility.

On or about January 4, 2025, a water leak occurred in a water pipe controlled by the Port near the Premises. The leak, which occurred on a weekend, flooded several nearby properties including the Premises. As the water leak occurred in a Port-owned waterline, the Port is responsible for the impacts of the water leak. The Port notified Martin Marietta on January 6, 2025 of the leak; however the source of the leak was not repaired until January 19, 2025.

During and subsequent to the water leak, Tenant incurred costs and delays impacting construction activities at the Premises during the time period of January 4, 2025 through March 19, 2025 ("Impacted Time Period"). Tenant incurred costs associated with rent during the time it was unable to use the Premises because of the water leak. Based on the costs incurred during the Impacted Time Period, Port is willing to grant a one-time retroactive rent credit to the Tenant for rent Tenant incurred during the Impacted Time Period. As the monthly rent was one hundred thirty-four thousand dollars (\$134,000.00) during the Impacted Time Period, the rent credit would be three hundred thirty-five thousand dollars (\$335,000.00). As a material condition of the rent credit, all construction activities authorized under the Permit would be required to be completed by no later than April 1, 2025.

## **STRATEGIC OBJECTIVE**

The amendment proposed by Port and Martin Marietta supports the following Port Strategic Plan Goals:

### Productivity:

Attract and retain tenants to build an economically successful and vibrant waterfront.

### Sustainability:

Advance environmental stewardship to limit climate change and protect the Bay.

## **BACKGROUND**

In August 2000, British Pacific Aggregates, Ltd. entered into Lease L-13002 with Port for the Premises for the operation of a hopper system and truck access to conduct aggregate materials storage and distribution.

The Lease commenced on September 1, 2000. In January 2001, the contract was assigned to Hanson Aggregates Mid-Pacific, Inc., a Delaware corporation ("Hanson"), and subsequently amended by a first amendment in July 2003. Hanson was subsequently acquired by HBMA Holdings LLC ("HBMA"), a Delaware limited liability company, and Lehigh Southwest Cement Company ("Lehigh"), a California corporation. Effective October 1, 2021, HBMA and Lehigh agreed to sell all of their equity interests in Hanson to Martin Marietta Materials, Inc. ("Martin Marietta"), a North Carolina corporation. Martin Marietta changed Hanson's name and organizational structure to Martin Marietta Northern California Aggregates, LLC, a Delaware limited liability company. On August 31, 2023, the Lease expired. At the time of expiration, Port consented to the Tenant holding over during the wind-down of its operations, and the contract remains in holdover on a month-to-month basis.

During the term of the Lease, Tenant's operation at the site included the alteration of the Premises in various ways that affected the condition of the site. These alterations included the removal of the surface paving of the Premises, the creation of significant depressions

and other deformations of the Premises through the weight of stored materials, and regular wear and tear of the site generally.

In February 2024, the Port provided notice to the Tenant that the alterations, improvements, and personal property on or about the Premises needed to be removed in accordance with Section 13.4 of the Lease and that the site should be restored to its original condition. In order to complete the required alterations, Tenant obtained Port Building Permit B-2024-0044 (the "Permit") to authorize the construction necessary for the removal of the improvements and restoration of the Premises. The work included leveling and grading the site and replacing the surface paving of the Premises with a surface treatment satisfactory to the Port.

On or about January 4, 2025, a water leak occurred in a water pipe controlled by the Port of San Francisco near the Premises. The leak, which occurred on a weekend, flooded several nearby properties including the Premises. The Port notified the Tenant on January 6, 2025 of the issue; however the source of the leak was not repaired until January 19, 2025.

During and subsequent to the water leak, Tenant incurred costs relating to flood control, dewatering of the Premises, equipment stand-by, soil treatment, and ongoing delays. The Port and Tenant agree that the impact on the Premises corresponds to the specific time period of January 4, 2025 through March 19, 2025. The Tenant estimates it incurred approximately three hundred thirty-five thousand dollars (\$335,000.00) in added costs during the Impacted Time Period.

Based on the costs incurred, Port is willing to grant Tenant a one-time rent credit for the Impacted Time Period. As the monthly rent was one hundred thirty-four thousand dollars (\$134,000.00) during the Impacted Time Period, the rent credit would be three hundred thirty-five thousand dollars (\$335,000.00). As a material condition to the rent credit, all construction activities authorized under the Permit are required to be completed by no later than April 1, 2025.

## **RECOMMENDATION**

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to grant Tenant a one-time retroactive rent credit in the amount of three hundred thirty-five thousand dollars (\$335,000.00) for the Impacted Time Period, upon completion of the scope of work outlined in Port Building Permit B-2024-0044.

Prepared by:           Demetri Amaro  
Maritime Business Development Manager

For:                     Andre Coleman  
Deputy Director, Maritime Division

Attachments:   2<sup>nd</sup> Amendment to Lease L-13002

**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 25-18**

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and

WHEREAS, The predecessor in interest to Martin Marietta Northern California Aggregates, LLC, a Delaware limited liability company, (“Tenant”), entered into that certain Lease No. L-13002, dated August 26, 2000 (the “Lease”) for 261,240 square feet of paved land and a non-exclusive berth at Pier 94 (collectively, the “Premises”) for the operation of a bulk aggregate storage and distribution facility including the use of a barge and conveyor system, which Lease expired on August 31, 2023, and is currently in holdover on a month-to-month basis with Port Consent; and

WHEREAS, Tenant obtained Port Building Permit B-2024-0044 (the “Permit”) to authorize the construction necessary for the removal of the improvements and restoration of the Premises, including the leveling and grading of the site and replacement of the surface paving of the Premises with a surface treatment satisfactory to the Port, in order to restore the Premises to its original condition prior to termination of the Lease as required under the terms of the contract; and

WHEREAS, On or about January 4, 2025, a water leak occurred in a water pipe controlled by the Port near the Premises resulting in delays impacting Tenant’s construction activities at the Premises during the time period of January 4, 2025 through March 19, 2025 (“Impacted Time Period”); and

WHEREAS, The Port and Tenant negotiated a one-time rent credit (the “rent credit”) for the Impacted Time Period. As the monthly rent was one hundred thirty-four thousand dollars (\$134,000.00) during the Impacted Time Period, the one-time rent credit would be three hundred thirty-five thousand dollars (\$335,000.00); and

WHEREAS, The Port and Tenant agree that the as material consideration for this one-time rent credit, Tenant shall be required to complete all construction activities authorized under the Permit by no later than April 1, 2025, as documented in that certain second amendment to Lease L-13002 (the “Second Amendment”); and

WHEREAS, Port Staff recommends the approval of the Second Amendment granting Tenant a one-time retroactive rent credit; now, therefore be it

RESOLVED, That the Port Commission hereby approves the proposed Second Amendment on the terms and conditions described in the memorandum accompanying this Resolution; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments, or other modifications to the Second Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 8, 2025.***

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Secretary