

**STAFF REPORT  
C63**

A Statewide

11/29/17

Bid Log 2017-09

S Statewide

W 26086

J. Porter, P. Huber, A. Abeleda

**ACTING AS THE SCHOOL LAND BANK FUND TRUSTEE, CONSIDER  
DELEGATING AUTHORITY TO THE EXECUTIVE OFFICER  
TO SOLICIT BIDS, AWARD AND EXECUTE AN AGREEMENT, AND EXPEND  
FUNDS FOR A LAND INVESTMENT CONSULTANT**

**PARTY:**

California State Lands Commission

**BACKGROUND:**

School lands were granted to the State of California by the federal government under the Act of March 3, 1853 (Ch. 145, 10 Stat. 244), and consisted of the 16th and 36th sections of land in each township (with the exceptions of lands reserved for public use, lands taken by private land claims, and lands known to be mineral in character). In cases of preemption due to the exceptions described above, the State was given the opportunity to select replacement lands from the United States in lieu of a Section 16 or a Section 36. These replacement lands are now known as Indemnity school lands or lieu lands.

School lands were placed into a statutory trust in 1984 when the Legislature enacted the School Land Bank Act (Act) and created the School Land Bank Fund (SLBF or Fund). The Commission is the trustee of the Fund and manages it on behalf of the Fund's beneficiary, the State Teachers' Retirement System. The Act states that school lands and attendant interests are to be proactively managed and enhanced to provide an economic base in support of the public school system. The Act further requires the Commission to take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base.

The Commission, acting in its capacity as trustee, manages approximately 458,843 acres of fee-owned school lands. Public Resources Code section 8712 specifically authorizes the Commission to acquire real property or interests therein for revenue-generating purposes. Net revenues from the leasing of school and lieu lands are deposited into the State Treasury to the credit of the

## STAFF REPORT NO. C63 (CONT'D)

State Teachers' Retirement Fund pursuant to Public Resources Code section 6217.5.

In Fiscal Year 2008-09, the Legislature requisitioned \$59 million from the Fund to help balance the state budget. This loan left a balance in the Fund of less than \$2 million that severely limited the ability of staff to pursue an active investment program for the Fund. In June 2017, the loan was repaid to the Fund, with interest. At the close of the 2016-17 Fiscal Year, the Fund contained a balance of \$69,362,280.34.

Staff now seeks to reactivate the SLBF investment program. With a specific emphasis on real estate, staff is seeking California-based real estate investments that will generate acceptable rates of return to the State Teachers' Retirement Fund while minimizing risk. Investment considerations will also take into account other important public issues, including statewide environmental, social, and macro-economic goals.

### **PROPOSED ACTIVITY:**

Public Resources Code sections 8705 and 8709.5 authorizes the expenditure of funds from the School Land Bank for management of the Fund. The Executive Officer requests authority to solicit bids, award and execute a contract, and expend School Land Bank funds for a land investment consultant. The consultant will advise and assist staff in developing an informed investment strategy leading to the acquisition of revenue-generating lands. The work will involve the establishment of criteria to evaluate and compare various types of real estate opportunities, taking into account the state's overall needs, resources and long-term goals. A thorough analysis of the positives and negatives for each type of investment opportunity will be required as well as potential long-term and short-term returns. Staff plans to return to the Commission with a detail investment strategy, including specific investment opportunities identified by the consultant, for further action.

The bid for the consulting contract shall be conducted consistent with procedures as specified in the State Administrative Manual and State Contract Manual. All bid proposals and evaluation sheets will be available for public inspection at Sacramento office of the Commission in accordance with Public Contract Code requirements.

### **STAFF ANALYSIS AND RECOMMENDATION:**

#### **Authority:**

Public Resources Code sections 6005, 6106, 6216, 6217.5, 8701, 8705, 8709.5, 8711; Public Contract Code section 10335 et seq.; State Administrative Manual section 1200; State Contracting Manual (rev. 6/2017).

STAFF REPORT NO. **C63** (CONT'D)

**State's Best Interests Analysis:**

Obtaining the advice and assistance from a land investment consultant will aid staff in establishing criteria for investment, and, considering the State's resources and long-term goals, help the State identify the best opportunities for the acquisition of revenue-generating properties. Revenues from the properties will benefit the California State Teachers' Retirement Fund, which is in the best interests of the State.

**OTHER PERTINENT INFORMATION:**

1. In considering this action, the Commission is acting in its capacity as the School Land Bank Fund Trustee pursuant to Public Resources Code sections 8705 and 8709.5.
2. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction and Strategy 2.1 to optimize returns for the responsible development and use of State lands and resources, both onshore and offshore.
3. Authorization to solicit bids, award and execute an agreement, and expend funds for a land investment consultant 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.

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:

**STATE'S BEST INTERESTS:**

Find that the activity is in the best interests of the State.

**AUTHORIZATION:**

Acting as the School Land Bank Fund Trustee, delegate authority to the Executive Officer, or her designee, to solicit bids, award and execute an agreement, and expend funds for a land investment consultant for the School Land Bank Fund in accordance with competitive bidding requirements of the Public Contract Code and current State policies and procedures.