

# Memorandum

To : TRANSCRIPT  
JANUARY 26, 1981

Date : February 27, 1981

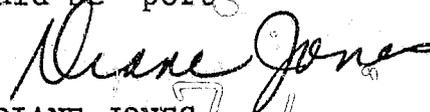
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From : EXECUTIVE OFFICE  
1807 13th Street, Sacramento 95814

Subject: CORRECTIONS TO STATE LANDS COMMISSION TRANSCRIPT OF  
JANUARY 26, 1981

On page 17, Line 12, "accepted" should be "excepted".

On page 23, Line 12, "court" should be "port"

  
DIANE JONES  
Secretary

cc: Barbara Peters  
Peters Reporting

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MEETING  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 3191  
SACRAMENTO, CALIFORNIA

ORIGINAL

MONDAY, JANUARY 26, 1981

10:10 A.M.

CATHLEEN SLOCUM, C.S.R.  
License No. 2822

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MEMBERS PRESENT

1  
2 Kenneth Cory, Chairperson, State Controller

3 Susanne Morgan, representing Mary Ann Graves,  
4 Director of Finance, Commissioner

5 David Ackerman, representing Mike Curb, Lieutenant  
6 Governor, Commissioner

STAFF PRESENT

7  
8 William F. Northrop, Executive Officer

9 R. S. Golden

10 Robert Hight

11 James Trout

12 Diane Jones, Secretary

ALSO PRESENT

13  
14  
15 Jan Stevens, Deputy Attorney General

16 Susanne Wylie, Deputy Attorney General

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CHAIRPERSON CORY: We'll call the meeting to order.

We will be taking up the Consent Calendar items first. They are in your printed agenda with the letter "C" preceding the number. They're Items C1 through C18. We will be taking them all up together in one motion. So, if you would be looking at those, if any of you have any arguments with what the staff proposes doing, be prepared to speak rather quickly in a few minutes or forever hold your peace.

Are there any corrections or additions to the minutes?

Without objection, they'll be adopted as presented. The Executive Officer.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a follow-up on prior Commission requests for progress on the California Desert Area Plan.

In December 1980, the Bureau of Land Management agreed to modify some wording in its Desert Plan to emphasize the importance of providing for land exchanges with the State. The need for this was brought on by the effect of wilderness and restricted use designations in areas where there is intermingled State ownership.

1            Within wilderness areas of the desert are 124  
 2 parcels of State school land totalling 75,000 acres  
 3 designated to be Controlled Class (C) and within restricted  
 4 use Area (L) designated areas are 362 parcels, totaling  
 5 310,000 acres. Preliminary staff study indicates that  
 6 because of existing access and mineral or other development  
 7 potential, 73 parcels totaling 41,000 acres should probably  
 8 remain in State ownership. The remaining 413 parcels  
 9 totaling 244,000 acres appear to be so restricted in  
 10 access and development potential because of designations  
 11 imposed by the Desert Plan, they should be exchanged for  
 12 BLM lands of equal value elsewhere.

13            On the map we have over there the list of some  
 14 of the candidates for acquisition in the exchange for the  
 15 State desert lands. The following areas are being  
 16 studied:

17            1. The area designated as the Caliente Range  
 18 of Southern San Luis Obispo County and southwest of Taft  
 19 totaling 54,000 acres, and staff believes it has some area  
 20 for oil and gas development potential in that Caliente  
 21 Range for that 54,000 acres.

22            2. Designated by Mendocino County on the  
 23 northern part of the map are about 46,500 acres composed  
 24 of nine blocks which staff feels would be valuable for  
 25 timber production.

1 In the third area, Trinity County area, another  
2 14,000. -- I think Junction City is the way it's put up on  
3 the map there -- 14,300 acres primarily for valuable timber.  
4 We feel it has some timber production potential.

5 And in the Eagle Lake area of Lassen County there  
6 are 14,830 acres approximately, we feel, would have some  
7 timber potential.

8 Number five, the Johnson Valley area down  
9 towards Riverside there in the Lucerne Valley is presently  
10 20,000 acres of State school lands, most of which were  
11 acquired through previous exchanges -- 29 Palms Marine  
12 Corps Base -- and it has potential for development as  
13 population centers should San Diego County expand.

14 The staff is continuing to redefine information  
15 on lands for acquisition, disposal or retention, and their  
16 relative values so a series of exchange proposals can be  
17 initiated in the near future with BLM.

18 That completes my report, Mr. Chairman.

19 CHAIRPERSON CORY: Questions from Commissioners?  
20 Okay.

21 Mr. Golden.

22 MR. GOLDEN: Mr. Chairman, Members of the  
23 Commission, I have the staff report on State Coastal  
24 Commission.

25 On June 30, 1981, the State Coastal Commission

1 will undergo a major reorganization. The six regional  
2 Coastal Commissions will go out of existence and all of  
3 their work load will fall upon the State Commission. Half  
4 of the present Commission's voting membership, six members,  
5 represent regional commissions. After June 30, these six  
6 members will be replaced by county supervisors or city  
7 councilpersons from coastal counties. The staff of the  
8 Commission has proposed, based on an outside management  
9 study, that the three non-voting members -- the Chairperson  
10 of the State Lands Commission, the Secretary for Resources,  
11 and the Secretary for Business and Transportation -- be  
12 given voting privileges. The Commission approved introduc-  
13 tion of legislation to accomplish this, subject to the  
14 approval of the Governor and the individuals involved.

15 The reason this was proposed was to provide  
16 additional commissioners so that they can split into sub-  
17 committees to handle the very large work load. To date the  
18 Governor's approval has been obtained on the proposal.

19 The State Lands Commission is currently a voting  
20 member of the San Francisco Bay Conservation and Develop-  
21 ment Commission, and has been since that agency was  
22 established. The Coastal Commission and BCDC comprise the  
23 State's Coastal Zone Management Agency under federal statutes  
24 so there is some rationale for the proposal.

25 I'll keep you posted as this goes along.

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1 CHAIRPERSON CORY: Okay. Just so the other  
2 Commissioners know, I'll be doing everything I can to make  
3 sure we don't have a vote --

4 (Laughter.)

5 CHAIRPERSON CORY: -- because I think that is  
6 all loser.

7 Thank you, Dave.

8 Okay. On the printed agenda we are about to  
9 take up the Consent Calendar. Is there anybody who disagrees  
10 with the proposed staff recommendations on those first  
11 18 items?

12 Without objections, --

13 MR. ACKERMAN: No objections.

14 MS. MORGAN: Second?

15 CHAIRPERSON CORY: The Consent Calendar will be  
16 approved as presented.

17 Item 19 we will put over. Some technical language  
18 problems that I believe the staff is working on with Long  
19 Beach and the Wrather Corporation out in the hall. So we  
20 will be taking up Item 19 at the end of the calendar right  
21 after Item 38.

22 Item 35 is off calendar and will not be taken  
23 up this morning.

24 So I hope the people in the hall are moving with  
25 some alacrity because we plan on going through this agenda

1 with a good deal of alacrity.

2 Are you ready?

3 (Laughter.)

4 CHAIRPERSON CORY: Item 20. Southern California  
5 Edison Company, approval of amendment to industrial  
6 lease in Mandalay Beach, Ventura County. This is a  
7 volumetric rental.

8 Is there anybody in the audience on this item?  
9 Questions from Commissioners?

10 Without objection, Item 20 approved as presented.

11 Item 21. This is a supplemental letter for  
12 a gas pipeline lease in the Delta area. Is that correct?

13 EXECUTIVE OFFICER NORTHROP: That's correct,  
14 Mr. Chairman.

15 CHAIRPERSON CORY: Gives us some --

16 EXECUTIVE OFFICER NORTHROP: There are new  
17 language in your calendar which gives the State the  
18 opportunity to ship its gas through this line as well.

19 MR. ACKERMAN: Good deal.

20 CHAIRPERSON CORY: Anybody in the audience on  
21 this item?

22 Without objection, --

23 MS. MORGAN: Fine.

24 CHAIRPERSON CORY: -- Item 21 will be approved  
25 as presented.

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1 Item 22, partial release of sales moratorium  
2 on state-owned school lands. This is a 40-acre parcel in  
3 Poway in San Diego County.

4 MS. MORGAN: Sounds like a good idea.

5 CHAIRPERSON CORY: Anybody in the audience?

6 Without objection, Item 22 is approved as  
7 presented.

8 Item 23, clarification of a boundary line  
9 agreement in the City of Eureka. The city had some things  
10 they wanted clarified?

11 EXECUTIVE OFFICER NORTHROP: Yes. The one  
12 parcel, the description did not conform to the agreement.  
13 So we're doing that.

14 CHAIRPERSON CORY: Anybody in the audience on  
15 this item?

16 Without objection, Item 23 is approved as  
17 presented.

18 Item 24. This is --

19 MS. MORGAN: Revoke the trust without prejudice.

20 CHAIRPERSON CORY: -- revoke the trust without  
21 prejudice. This is the City of Needles.

22 Is there anybody in the audience on this item?  
23 Questions from Commissioners?

24 MR. ACKERMAN: None.

25 CHAIRPERSON CORY: Without objection, 24 is

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1 approved as presented.

2 Item 25, amendment of approval of resumption  
3 of drilling operations of State Oil and Gas Lease PRC  
4 2879.1, Santa Barbara County.

5 Anybody in the audience on this item? Questions  
6 from Commissioners?

7 MR. ACKERMAN: No.

8 CHAIRPERSON CORY: Without objection, Item 25  
9 is approved as presented.

10 Item 26. Hilliard Oil and Gas, Inc. This is  
11 authorizing a public hearing to be held to look at subsidence  
12 for a proposed oil and gas lease, Grays Bend area of  
13 Sacramento River, Sutter and Yolo Counties.

14 Questions from Commissioners? Anybody in the  
15 audience on this item?

16 Without objection, 26 is approved as presented.

17 Item 27, authorize the sale in 100 percent  
18 increments by competitive bid for State produced oil and  
19 gas.

20 Is there anybody in the audience on this item?  
21 Questions from Commissioners?

22 MS. MORGAN: The bid will come back?

23 EXECUTIVE OFFICER NORTHROP: The bid will come  
24 back for approval.

25 CHAIRPERSON CORY: Just authorizing the sale.

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1 Item 27 approved as presented.

2 Item 28, assignment to Norris Oil Company from  
3 Cabot Corporation. Cabot is turning over their interests --  
4 EXECUTIVE OFFICER NORTHROP: Turning over their  
5 interests in many areas in California.

6 CHAIRPERSON CORY: Is there anybody in the  
7 audience on this item? Questions from Commissioners?

8 Item 28 is approved as presented.

9 Item 29, authorization for a six-month  
10 extension on an 8 percent increment of sale of oil that  
11 they're paying currently 37 cents per barrel --

12 EXECUTIVE OFFICER NORTHROP: Just slightly --  
13 CHAIRPERSON CORY: -- over posted price. The  
14 crude market is soft. There's some question whether or  
15 not we can approve our thing.

16 Is there anybody in the audience on this item?  
17 Questions from Commissioners?

18 Without objection, --

19 MR. ACKERMAN: No, it's okay.

20 CHAIRPERSON CORY: -- 29 approved as presented.  
21 Okay, Item 30. What are we doing on this one?

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
23 Mr. Thompson from the Long Beach operation will lay out  
24 what we're doing on closing of accounts on the subsidence.

25 MR. THOMPSON: As part of the approval last

1 year, prior approval of these accounts, part of the  
2 agreement was to close these accounts out within a  
3 reasonable time after close of the year. This is the  
4 closing. You gave prior approval for this last year, I  
5 believe, in June, for \$370,000. The city actually used  
6 \$239,000. This is the final closing. All of these have  
7 been audited and final engineering reviews have been made.

8 CHAIRPERSON CORY: Any questions?

9 MR. ACKERMAN: No.

10 MS. MORGAN: That's fine.

11 CHAIRPERSON CORY: Without objection, Item 30  
12 is approved as presented.

13 Explain the seventh modification to us.

14 MR. THOMPSON: The seventh modification has  
15 three different parts in it. One is a plan change to  
16 increase the number of new wells to 52. This is because  
17 of the original plan which split the money between redrills  
18 and new wells. We've been doing less new drilling and more  
19 new wells, so we have to add to the plan for the number  
20 of new wells we're going to do. Also, we want to take  
21 and provide for some engineering work on new seller  
22 construction on the Islands White and Chaffee for \$200,000.  
23 The final estimate of cost of fees will be included in  
24 next year's budget for those sellers. This is just the  
25 engineering work designs.

1 We also would like to augment the budget for  
2 \$450,000 for equipment and tools for roustabout crews.  
3 These are the labor crews that are used in the field for  
4 maintenance, painting, cleaning up, all this type of work.  
5 The field contractor has replaced these contract people  
6 with 50 employees on their own staff. Now we need the  
7 equipment to go with it: pickup trucks, air compressors,  
8 skip loaders, cranes, this type of equipment for them.

9 CHAIRPERSON CORY: It's cheaper than the contrac-  
10 tor.

11 MR. THOMPSON: Right. At present we're paying  
12 about \$130,000 a year for renting the same equipment  
13 which is about a three-year payout of this approximately.

14 CHAIRPERSON CORY: Any questions from Commissioners?

15 MR. ACKERMAN: That makes sense.

16 CHAIRPERSON CORY: Anybody in the audience on  
17 this? Without objection, the seventh modification is  
18 approved as presented.

19 Going to tell us about the monitoring seismic --

20 MR. THOMPSON: All right. The results of the  
21 elevation surveys shows there has been very small, if any,  
22 subsidence, surface to elevation changes, in the Long  
23 Beach area. So, again, we can report that we can substan-  
24 tiate that no subsidence to the land surface has occurred  
25 as a result of the operations of the Long Beach units.

1 CHAIRPERSON CORY: Okay. An informative  
2 item only on the agenda.

3 Okay.

4 Item 33. You want to disclaim any interest in  
5 the lawsuit of Allen, et al v. Dickey, State of California,  
6 et al.?

7 MR. HIGHT: Correct, Mr. Chairman.

8 CHAIRPERSON CORY: Any questions from the  
9 Commissioners?

10 MS. MORGAN: No.

11 MR. ACKERMAN: No.

12 CHAIRPERSON CORY: Anybody in the audience on  
13 this item?

14 Without objection, Item 33 approved as presented.  
15 Okay, Darrah.

16 MR. HIGHT: Mr. Chairman, Darrah is a modification  
17 of an agreement previously approved by the Commission.  
18 This modification would allow the State to obtain a  
19 quick-claim deed to the old bed of the Calaveras River  
20 and in return give Mr. Darrah a 10-year rent-free  
21 recreational pier lease.

22 CHAIRPERSON CORY: Anybody in the audience on  
23 this item? Questions from Commissioners?

24 MS. MORGAN: That's fine.

25 CHAIRPERSON CORY: Without objection, Item 34 is

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1 approved as presented.

2 Item 35 is off calendar.

3 Item 36. This is a demonstration solar pond  
4 power plant.

5 EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman,  
6 authorization for us to execute an agreement with LA  
7 Water and Power to try to assist us financially with this  
8 and share with them the results.

9 CHAIRPERSON CORY: Anybody in the audience on  
10 Item 36? Questions from Commissioners?

11 MR. ACKERMAN: No.

12 CHAIRPERSON CORY: Without objection, Item 36  
13 is approved as presented.

14 Item 37, Lake Tahoe Shorezone Assessment.  
15 This is approval of a contract. We went out and solicited  
16 bids.

17 EXECUTIVE OFFICER NORTHROP: We solicited  
18 bids, Mr. Chairman. As you recall, Mr. Trout several  
19 years ago suggested this and we are now to the point of  
20 going for bids on this study.

21 CHAIRPERSON CORY: We've got the bids?

22 EXECUTIVE OFFICER NORTHROP: We've got the bid,  
23 a hundred and eighteen thousand dollars from the University  
24 of Southern California.

25 MR. ACKERMAN: What's this one asking us to do?

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1 CHAIRPERSON CORY: They want us to approve the  
2 \$118,000 bid?

3 EXECUTIVE NORTHROP: For SC.

4 MR. ACKERMAN: What's the time frame on this?

5 MR. TROUT: It would be a three-year contract.

6 You're doing two things. You're extending the existing  
7 moratorium on the construction of new piers, single-family  
8 piers, and you're authorizing a contract with USC for a  
9 three-year study of the littoral zone movements of sand  
10 and that kind of stuff. The problem we have is we don't  
11 have an adequate EIR on accumulative effects of pier  
12 construction at Tahoe. That's always been a problem.

13 MR. ACKERMAN: When this \$118,000 study is  
14 completed, would that then give the Commission the policy  
15 alternatives to make some long-range policy decisions?

16 MR. TROUT: Yes, it will. That's really what  
17 we need. It was funded by the Legislature in this last  
18 session, and this as the contract.

19 MR. ACKERMAN: And we won't get that for three  
20 more years, till '83?

21 MR. TROUT: That's correct, because they need  
22 the time to make the studies.

23 MR. ACKERMAN: Okay.

24 MS. MORGAN: Sounds reasonable.

25 CHAIRPERSON CORY: At a \$118,000 for USC, you

1 can't buy a reserve linebacker for that with that football  
2 team.

3 (Laughter.)

4 CHAIRPERSON CORY: Without objection, Item 37  
5 is approved.

6 (Laughter.)

7 CHAIRPERSON CORY: Item 38 is to authorize  
8 holding public hearings for reviewing the Commission's  
9 administrative rules and regulations pursuant to statutory  
10 change.

11 EXECUTIVE OFFICER NORTHROP: That's correct,  
12 Mr. Chairman. Last year every agency was asked to review  
13 this.

14 CHAIRPERSON CORY: Any questions?

15 MR. ACKERMAN: I understand part of these  
16 hearings is to make all regulations read in common-sense  
17 English so that they can be understood by the Commissioners.

18 CHAIRPERSON CORY: Can we hire somebody that  
19 can accomplish that? I haven't seen that much from the  
20 staff that indicates they have the capacity.

21 (Laughter.)

22 CHAIRPERSON CORY: We have to go outside  
23 contractor for that.

24 EXECUTIVE OFFICER NORTHROP: Outside contractor  
25 maybe.

1 CHAIRPERSON CORY: Anybody in the audience  
2 on this item?

3 Without objection, authorization is granted.  
4 Okay. Going back to --

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
6 I have just been informed by Mr. Trout that Mr. Elder has  
7 donated his office. They're there working and wondered if  
8 we could do the closed session and come back to them after  
9 the closed session.

10 CHAIRPERSON CORY: Okay. We will go into a  
11 closed session and it will be -- how long is that going to  
12 be?

13 EXECUTIVE OFFICER NORTHROP: Hopefully,  
14 half and hour, 15 to 20 minutes.

15 CHAIRPERSON CORY: We will recess the public  
16 meeting for a short period of time. We await the delibera-  
17 tions on the technical changes, so that we will take up  
18 Item 19 sometime. If the people who are interested in that  
19 item can wait outside, we will be with you as soon as  
20 possible.

21 (Thereupon the meeting of the State  
22 Lands Commission went into closed  
23 session.)

24 CHAIRPERSON CORY: We're on Item 19 on the agenda.  
25 Will somebody tell us --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman --

CHAIRPERSON CORY: -- the changes on the language  
of 19?

EXECUTIVE OFFICER NORTHROP: Yes, sir. Jim.

MR. TROUT: Mr. Chairman, at the November  
meeting, the lease agreement between the Long Beach Harbor  
Department and Wrather Port Properties was approved  
pursuant to Section 6702 of the Public Resources Code which  
is a device to guarantee third parties that if something  
happens to the trust granted to Long Beach, that the lease  
involving the third parties remains valid. At that time  
the Commission accepted from such finding the future  
development of the option area which was Parcels 4, 5  
and 6. Today the Commission is being asked to do three  
things. There was not an unanimity of agreement whether  
the rental rates that were adopted by the Commission at  
its November meeting were designed to also apply to the  
option area. So we're asking you to make that finding.

The second one is that as to the rental rate  
for the marina area, that the rental rate is to be 10 percent  
of the gross income until the initial loan is paid off.  
So that's the second clarification. When that loan is paid  
off, then it would --

CHAIRPERSON CORY: What loan?

MR. TROUT: Any loan that Wrather undertakes to

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1 develop a marina to build the breakwaters and other types  
2 of things.

3 EXECUTIVE OFFICER NORTHRCR: Staff feels  
4 that if the Harbor Department built the marina, it would  
5 be part of the charge or if Wrather built the marina, either  
6 that charge had to be taken into consideration.

7 MR. TROUT: The rental rate would be 10 percent  
8 of gross income from the marina until the initial  
9 construction payout has been taken care of, amortized.

10 it would be at the appropriate rates under the lease.  
11 Staff has no problem with that concept.

12 The alternative is the port would pay for it  
13 and Wrather would -- fund the construction -- Wrather would  
14 pay a higher rental rate.

15 MS. MORGAN: And the staff would rather let  
16 Wrather do it.

17 CHAIRPERSON CORY: But we are, with respect  
18 to that, approving a pig-in-a-poke.

19 MR. TROUT: I don't think so.

20 CHAIRPERSON CORY: You don't know what loan,  
21 what amount, what term, what interest, from whom, for  
22 what purpose. I mean, it is theoretically possible by  
23 doing this to establish a set of circumstances which would  
24 encourage either the harbor or private entrepreneur to  
25 create a loan for the purpose of controlling his rental fees.

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1 I mean, that's what I'm concerned about. I mean, we had  
2 the same problem with the Toll Bridge Authority which  
3 another State agency who doesn't want to pay off bonds  
4 because as long as they owe money, they don't have to pay  
5 the State. It is just, as a business principle, from our  
6 side of the table, that seems to be a very questionable  
7 thing. If they owe a dollar on the loan, they're at a  
8 10 percent rate. You see what I'm concerned about?

9 MR. STEVENS: Excuse me. I'm Dick Stevens,  
10 Wrather Port Properties.

11 I think I can put your mind at ease, hopefully.  
12 First, in terms of what the plan would be, there are  
13 provisions reached in the settlement where not only the  
14 State but the port and, I guess, it's another federal  
15 agency would be involved in the approval or disapproval of  
16 the plan. So in terms of what goes in there and how it  
17 goes in and its effect on the environment, that everybody  
18 is going to have their fair shot at. So now, let's go  
19 beyond that. Let's assume that everybody says: Yes, that  
20 marina is in the right place and the project is right  
21 and we all sign off and so now we have to go out and finance  
22 it or pay for it in one fashion or another. Due to the  
23 physical problems inherent in that location, the lowest  
24 estimate we have on a minimum marina is in the area of  
25 35 million to 40 million dollars. Now, that's because of the

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1 depth of the water, which is at that location about 45 feet  
2 and need to build a sea wall for protection, et cetera.

3 Now, I've run these calculations out, obviously,  
4 when we negotiated this percentage. We lease property  
5 from the County of Los Angeles in Marina del Rey, and I  
6 pay 20 percent of slip rentals to the County of Los Angeles,  
7 which is about the average you'd pay as a developer for a  
8 marina site . But the County provides me with a sea wall,  
9 utilities to the sea wall, protection of a breakwater,  
10 which obviously cuts the cost. If you take 35 million,  
11 divide, and it worked out that at the differential, if the  
12 State or the Port put up the money, that 10 percent or  
13 15 percent differential would never pay that off for the  
14 State or Port. So the solution, we had come in originally  
15 saying we'll take a business risk and we will pay 10 percent  
16 because it's just a strictly competitive bidding situation.  
17 Now, at that point in the last, I guess, our last meeting  
18 the staff had some problems with that, and, in fact, the  
19 staff and Port came up with a suggestion. Well, let's  
20 keep the 10 percent but after the financing is paid off, now,  
21 presumably you've earned back that differential, and, there-  
22 fore, we want at that time to negotiate whatever is  
23 the going rate for marinas on public property. That's what  
24 we agreed to do is downstream when we through our financing  
25 and our credit put the Port in the competitive position in

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1 effect on an even footing with other government agencies  
2 who provide marinas, then we'll adjust the rate.

3 CHAIRPERSON CORY: That's a valid principle,  
4 but the contract, as Mr. Trout explained it, gives you  
5 -- say, Wrather decides for some reason to sell this whole  
6 project to someone else next year and we're dealing with  
7 someone else down the line, to be in a position that they  
8 don't do that particular project or at the end of 40 years,  
9 rather than paying off the last bond, the last thousand  
10 dollars of the bond, they renegotiate with the lender to  
11 keep that thousand owing for another 90 years. You're  
12 able to unilaterally keep yourself in a 10 percent non-  
13 rental adjustment rate. That's what I'm worried about.

14 MR. STEVENS: I understand your point.

15 CHAIRPERSON CORY: I don't know how to get around  
16 it.

17 MR. STEVENS: We can get around it very easily.  
18 We can stipulate that in no event will financing be longer  
19 than a 30-year term from date of borrowing. The reason I  
20 say date of borrowing is the real context here is we have  
21 two years to come to the State with a master plan for that  
22 area. So there is a time constraint. That's when everybody  
23 gets to bite at the fish and get their licks in and then  
24 there's a plan. Then, obviously, we have to go out and --

25 MR. ACKERMAN: Thirty years or anytime sooner.

1 MR. STEVENS: Obviously if we can only get  
2 15 years financing and we have a bonanza project, fine.

3 MR. ACKERMAN: Not to exceed 30 years.

4 EXECUTIVE OFFICER NORTHROP: I think that gives  
5 it reasonable financing concept.

6 CHAIRPERSON CORY: Okay. We haven't had that  
7 in the private sector, but some of these government  
8 agencies that we lend to decide they never want to pay off  
9 the last bond because --

10 MR. STEVENS: I understand the hole you picked  
11 up, and that was not our intent to try and find a hole.

12 EXECUTIVE OFFICER NORTHROP: I've got one thing  
13 I'd like to make clear. Supposing financing does handle  
14 it in 15 years --

15 MR. ACKERMAN: I said not to exceed 30 years.

16 CHAIRPERSON CORY: Because then you need to  
17 work their flow out and we talked about how --

18 MR. STEVENS: Right. But it would prevent  
19 the type of thing you're talking about with the manipulative  
20 devices.

21 EXECUTIVE OFFICER NORTHROP: Fine.

22 MR. TROUT: There's one more segment or one  
23 more element to the lease transaction; and that is that  
24 the State Lands Commission is being asked to make a public  
25 best interest of the State finding regarding the terms of

1 the lease as it affects the option areas. Staff has  
2 reviewed this. It's been pointed out that there are some  
3 rather extensive financial commitments that have to be paid  
4 by Wrather in a fairly short term. That it's unlikely  
5 the current Marysgate and Queen Mary operation are sufficient  
6 to carry those operations. So the lender needs some  
7 assurance that if the development goes ahead, that if the  
8 loan goes ahead, that development actually has a good chance  
9 of succeeding.

10 The staff felt that one way we could get  
11 involved in that and allow the Commission to make this  
12 finding is, one, the court has developed a Port Master Plan  
13 pursuant to the Coastal Act. That Plan was heard at public  
14 hearings by the Harbor Commission. It was sent to the  
15 Coastal Commission and subjected to rigorous hearings at  
16 that time. It was approved and certified by the State  
17 Coastal Commission and returned to the Harbor Department  
18 where it had a second hearing and was certified there by  
19 the Harbor Department. That Port Master Plan includes  
20 an EIR and covers what is known as the Queens Way Bay Area  
21 or District 7 in the Port Master Plan. The uses of this  
22 area are specified in the Plan and the Plan has to be  
23 completed within two years. That's Master Plan for Future  
24 Development by Wrather Port Properties. That Plan will  
25 have to have an EIR. Staff is recommending a calendar

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1 item which says that the Commission would make the public  
2 interest finding that the harbor and the city would be  
3 co-lead agencies on that EIR, and that the Commission staff  
4 Executive Officer be authorized to sign a Memorandum of  
5 Understanding on the joint preparation of the environmental  
6 study. The exact language of that Memorandum of Understanding  
7 has been worked out. We have a marked-up copy before us  
8 now that we have all agreed to, and staff recommends approval  
9 of the calendar item with the understanding the marked-up copy  
10 be replaced in the minutes by an exact, final typed version.

11 CHAIRPERSON CORY: Questions?

12 MS. MORGAN: We've done this before; is that  
13 right?

14 MR. TROUT: We have co-lead agencies before.

15 EXECUTIVE OFFICER NORTHROP: We have done that  
16 before. With Long Beach, as a matter of fact.

17 MS. MORGAN: How do you think it works?

18 EXECUTIVE OFFICER NORTHROP: I think it probably  
19 is the best EIR that was ever done in the CCS.

20 CHAIRPERSON CORY: That was the one for --

21 EXECUTIVE OFFICER NORTHROP: Shell Beta.

22 CHAIRPERSON CORY: That wasn't the one we did  
23 on the SOHIO Project?

24 EXECUTIVE OFFICER NORTHROP: No.

25 MR. TROUT: I think we can say without

1 contradiction that our arrangements on the Shell Beta  
2 were considerably better than the PUC on SOHIO.

3 MR. ACKERMAN: Is there a cost impact to the  
4 Commission by being a co-lead agency?

5 MR. TROUT: Wrather has to pay for it in any  
6 event.

7 MR. ACKERMAN: So it's who you pay.

8 MR. STEVENS: For sure.

9 EXECUTIVE OFFICER NORTHROP: They'll pay the  
10 contractor.

11 MR. ACKERMAN: It's really who you pay.

12 MR. STEVENS: Yes.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, also  
14 I'd like -- well, go ahead and vote. I would like to pass  
15 a kudo or two on this.

16 CHAIRPERSON CORY: Maybe we ought to hear those  
17 before we vote.

18 (Laughter.)

19 EXECUTIVE OFFICER NORTHROP: This was brought  
20 to us extremely late. Les and Gary really did an outstanding  
21 job to try to put this together and try to overcome the  
22 objections of the city and Wrather, and I want to compli-  
23 ment Wrather on their cooperation in this issue. I think  
24 they tried to do a good job. Sue Wylie from the Attorney  
25 General's Office and Rob Collins also worked very hard

1 putting this together. I'd just like the record to reflect  
2 that.

3 MS. MORGAN: And if it blows up, it's their  
4 fault?

5 (Laughter.)

6 CHAIRPERSON CORY: Having distributed psychic  
7 income --

8 (Laughter.)

9 CHAIRPERSON CORY: -- they will be excluded  
10 from future pay raises.

11 Without objection, then, --

12 MR. ACKERMAN: Without objection.

13 MS. MORGAN: That's fine.

14 CHAIRPERSON CORY: -- with the amendments --

15 MR. STEVENS: Yes, on that term in the financing.

16 MS. MORGAN: Thank you for coming.

17 MR. STEVENS: Thank you.

18 CHAIRPERSON CORY: Anything else to come before  
19 the Commission?

20 Hearing none, we stand adjourned.

21 (Thereupon the meeting of the State

22 Lands Commission was adjourned at

23 12:00 noon.)

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