SUMMARY

MEETING OF THE CALIFORNIA LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 19, 1998
10:30 a.m.

1 World Way
Board of Airport Commissioners
Meeting Room
Department of Airports
Administration Building
Los Angeles, California,

REPORTED BY:
Lori D. Casillas,
CSR No. 9869, RPR
Our File No. 46694
COMMISSIONERS PRESENT:
KATHLEEN CONNELL, State Controller - Chair
MICHAEL FLORES, Lieutenant Governor’s Office - Member
ROBIN DEZEMBER, Department of Finance - Member

STAFF PRESENT:
ROBERT HIGHT
Executive Officer

PAUL THAYER
Assistant Executive Officer

JACK RUMP
Chief Legal Counsel

PAUL MOUNT
Mineral Resources Management

SHARON SHAW
Administrative Assistant II

STAFF SPEAKERS:
DAVE PLUMMER
Public Land Manager

JEFF PLANCK
Senior Engineer

REPRESENTING THE ATTORNEY GENERAL’S OFFICE:
DENNIS M. EAGAN
Deputy Attorney General

PUBLIC SPEAKERS:
Bruce Spaulding
MS. CONNELL: I believe we will call the meeting to order. I like to begin meetings on time. I'm calling the meeting to order and there are three representatives present this morning and all three are present.

The first item of business will be the adoption of minutes from our last meeting. May I have a motion from one of the board members to approve the minutes?

MR. DEZEMBER: I move approval.

MS. CONNELL: Thank you. The motion has been moved.

Mr. Flores, do you want to second that?

MR. FLORES: I second that.

MS. CONNELL: There is a unanimous vote on that motion.

The next order of business will be the adoption of the consent calendar.

I call our executive officer Bob Hight to indicate which items have been removed from the consent calendar.

MR. HIGHT: Items C-77 and C-89 have been removed from the consent calendar and they will be heard at a later commission meeting.

MS. CONNELL: Is there anyone in the
audience today who wishes to speak on an item on the consent calendar?

Okay. If not, we will proceed with the vote.

May I have a motion on the consent calendar, please.

MR. DEZEMBER: Yes. I move it.
MR. FLORES: Second.
MS. CONNELL: It's been moved and seconded. That vote carries it unanimously.

That now takes us to the regular calendar Item 132. This is a Kapiloff Land Bank purchase of a parcel at the -- and you'll have to help me with the word --

MR. HIGHT: Cosumnes Preserve.
MS. CONNELL: -- Cosumnes River Preserve.

Mr. Hight, will you brief us, please.

MR. HIGHT: Yes, Madam Chair and commissioners.

Item 132 is the purchase with Kapiloff Land Bank of the parcel shown on the map in green in the Cosumnes River Preserve. The Cosumnes area is about 15 miles south of Sacramento off of Interstate 5.
The Bureau of Land Management has started a few years ago with the acquisition of land along the entire river from the Sierras to the Delta. And it’s their grand goal to develop this land for a habitat preservation and restoration.

There are a number of partners and I’ll name them, but they’re all willing participants. All sellers are willing sellers. The farmers in the area are farming the land. And it’s being used as a wildlife habitat.


So this is an extremely --

MS. CONNELL: Broad coalition.

MR. HIGHT: -- broad coalition, yes.

And in your blue folder you will find four pictures of the site as well as two letters of support from Senator Patrick Johnson and from Ducks Unlimited.
The staff believes that this is a very exciting project. And we would be most happy to take you there when the time would be convenient. And with that, do you have any questions?

MS. CONNELL: Let's sponsor a nature hike and picnic for the board members.

MR. HIGHT: Yes.

MS. CONNELL: Is there anyone in the audience who wants to speak on this item?

Are there any comments from my fellow commissioners?

MR. DEZEMBER: No.

MR. FLORES: No.

MS. CONNELL: Then may I have a motion on this item, please.

MR. DEZEMBER: Yes, I move approval for the acquisition.

MR. FLORES: Second.

MS. CONNELL: It's moved and seconded. It's a unanimous vote. So recorded.

Item 133. This concerns a settlement agreement at Mission Bay in San Francisco. And this will allow for the establishment of an expansion campus of the University of California at San
Francisco.

Again, Mr. Hight, will you give us details of this item?

MR. HIGHT: Yes, Madam Chair. I would like to ask Dennis Eagan with the Attorney General's office. He and Dave Plummer of staff and Blake Stevenson of staff have negotiated this rather complex transaction that is going to result in a very beneficial use. So I would like Dennis to explain it.

MS. CONNELL: Mr. Eagan, please.

MR. EAGAN: We have some graphic aids here. The first is an orientation oblique aerial photo. Some obvious landmarks are the Bay Bridge. This area right here just above Mission Creek Channel is the area of the new Giant's ball park/Pac Bell park, which is currently under construction.

This is Mission Creek Channel, which comes back in through here. And, again, Third Street coming across the left of the O'Doull Bridge and then down this way. The freeway coming in, the rail yards of Fourth and Townsend.

This is called the Mission Bay area because back in the 19th Century this area right in here was indeed a bay, was predominantly tide and mud
flats. And, of course, that included tide and submerged lands.

Now, for over 100 years this area has been filled. And it is no longer physically tide and submerged lands, but it gets history as tide and submerged lands. And, of course, that creates title issues concerning the existence of the public trust, which is why the State Lands Commission is involved.

The predominant private property owner in this area is Catellus Development Corporation. And they have, in conjunction with the city, developed a plan for development of this area within the Mission Bay development area, so-called, which runs roughly around here, down here to 16th Street, dips below 16th in a few instances, and runs out almost to the bay, and then back up to north of the channel, several hundred acres of property.

In 1991 and 1992 state legislature passed enabling legislation allowing the title problems in this area to be cleared up. There was at that time a Mission Bay development plan that had been approved by the city and county of San Francisco with Catellus as the developer. It later developed that that plan became economically infeasible. And now we're at Plan B -- or Catellus is.
And the principle element of Plan B is approximately a 43 acre area right in here just above 16th Street and is slated for use as an expansion campus for the University of California at San Francisco. They’re the anchor tenant, if you will, in this area.

And this is a slightly more direct overview. Again, the area in orange is the Mission Bay development area which I described earlier. And then this area here is the 43 acre parcel, which is proposed for expansion as part of the UCSF campus.

We’re here today just on a portion of that, which is this so-called Block 24 area, which is right down in here. It’s slightly larger. The shaded area of the university expansion campus is right in this area.

The problem in terms of title in this area, in order for the university to get clear title, certain tideland streets which shoot through this area have to be closed and also any tideland trust issues have to be terminated. And that’s where the State Lands Commission comes in.

In 1997 the state legislature authorized the sale of state tideland streets in this area. And the eventual outcome of that authorization is an
agreement which is before you today for approval.

It has essentially two elements. Two groups of streets, if you will, that are going to be sold. One group to the city, the so-called city street parcels, which are here in purple within Block 24. And then the so-called state street sale parcels, which are going to be sold to Catellus. And they're in orange here, here, here, here, here, here.

The consideration for this sale of streets, under the legislation, is the conveyance of other privately owned property to the university for this phase of its campus expansion. There will be other phases that will come before the commission for approval of later agreements, but this is the first in line, if you will.

The commission has to determine that these streets are no longer useful for trust purposes. Staff recommends approval of that finding. They're cut off from access to the bay and have been filled for over 100 years. And the other remaining principle finding is that the value that's going to the university in terms of property equals or exceeds the value in the state street sale parcels that are being sold on the one hand to Catellus or to the city.
And the staff has made a study of the appraisal in regard to that issue and has determined and recommended that the commission make a finding that the equal or greater value test is met.

In brief outline, that's the plan. Here is a sketch, if you will, or a rendering of what the current development plan will look like at full build out. The Giant's ball park, of course, is not a part of the plan, but it's in the same area. It's adjacent. The university campus will be roughly in this area here, running down Third and 16th over and up in this area. Again, approximately 43 acres.

And then the surrounding development, which will be the subject of a later exchange agreement, which will be coming before the commission probably within the next year.

We have here a representative of the University of California at San Francisco, the vice chancellor Bruce Spaulding who would like to make a brief presentation to the commission concerning the campus expansion plans of the university.

MS. CONNELL: I actually have two requests for presentations here today. Mr. Spaulding and Mr. Stimpson.

Is Mr. Stimpson in the audience as well?
MR. STIMPSON: I’m right here. I’m available to answer questions.

MS. CONNELL: Why don’t we begin with Mr. Spaulding then.

Bruce, can you come forward and introduce yourself by title for the record.

MR. SPAULDING: Of course. Thank you.

Good morning. I’m Bruce Spaulding and I’m the vice chancellor for the university advancement and planning at the University of California at San Francisco.

And I’m here today to thank you for considering this matter; to thank the staff for all the work that has gone on in bringing this before you today. And indicate that favorable consideration of this agenda item will enable the jump starting of a new exciting UCSF campus.

The University of California San Francisco is the largest non-governmental, meaning non-federal or state governmental, employer in San Francisco with 15 thousand employees. And an extremely vital health services campus, including a major research endeavor.

However, the University of California has been land locked for 20 years in its major
parnasis facility since the mid '70s due to agreements which were struck with the neighbors, the city, and the state. The University of California at San Francisco has not been able to expand beyond a very narrowly constrained boundary in the parnasis sites area of the city.

In response to that, the city, the state, and the university planners have all got together and proposed a new major biomedical research campus at Mission Bay. This campus would be a total of 43 acres. The campus would ultimately, on the campus acreage itself, employ up to 8,000 individuals.

And the land use concept that has been proposed by the city, Catellus, and agreed upon by the regents and the university, calls for an exciting biomedical research enterprise at the core of this 43 acres surrounded by concentric zones.

And that first concentric zone would be an area to attract biotech R and D, research and development, which we anticipate will be a major economic shot in the arm to the city, in addition to the economic incentives that will come to the community in the bay area at large as a result of the UCSF expansion, per se.
So UCSF would like to get going on this process. We have architects engaged for the first two buildings on Block 24, which is the matter before you today.

One of those buildings is a major biomedical research facility with a budget currently of about 120 million dollars. The second facility is a slightly smaller -- but still quite significant -- research facility with a budget of 99.5 million dollars. We have architects engaged in designing these buildings.

We would love to break ground in 1999 and start developing the full campus, which as I indicated, would be at build out 2.65 million square feet.

And your favorable consideration of this matter today will enable us to begin this road that we, the campus and the community, have been awaiting impatiently, and some voters, for the last 20 years.

Thank you.

MS. CONNELL: Mr. Spaulding, may we direct some questions to you?

MR. SPAULDING: Sure.

MS. CONNELL: I have some and I'm sure the other board members may as well.
Is this a quasi public facility we’re building for U.C. San Francisco? It sounds to me like you’re joint venturing with the private sector here.

MR. SPAULDING: Not on the campus, per se. The buildings on the 43 acre parcel that’s being conveyed by these various actions through the street transfers and the transfer of the Catellus properties, which are approximately 30 acres, will result in a core campus.

On that core campus it’s anticipated that those will be primarily regents owned and state owned facilities developed with a number of innovative financial approaches, but title to the land and fee will be transferred to the regents.

MS. CONNELL: Okay. Let me just understand this: If title is going to be handled by the regents, we will always own the land, but we will be leasing through some kind of fee system the facilities themselves, the laboratory facilities? Is this similar to what we are doing at the University of San Diego?

MR. SPAULDING: No. Actually there is a land use plan and they are two distinct -- if I could --
MS. CONNELL: Thank you.

MR. SPAULDING: We had this blown up for anyone in the audience. Am I audible if I proceed here?

MS. CONNELL: Is everyone able to hear Mr. Spaulding?

MR. SPAULDING: The concept in terms of the two uses that you focused in on are that the blue area in the center is the actual UCSF campus. And that will be developed primarily in more of a traditional state manner.

The area around it in the orange is an area that would be zoned by the city as an area for R and D and would be an area where there might be buildings that would be perhaps joint ventures with, let's say, pharmaceutical companies, biotech companies, and the university. But those would be on privately owned land. That's the current plan. Those would be in the abutting area.

So, for example, unlike the UCI model with Hitachi, the concept now is that the university would primarily be in control of the 43 acres. The joint ventures with private companies would acquire, through acquisition or through purchase or long-term lease, properties in the abutting zone from Catellus.
Or even perhaps abutting land owners outside the Catellus holdings. And that interactive ventures would be in that zone.

It is conceivable that some time in the future that the regents may determine that on their property within the 43 acres that there could be some sort of joint venture with a private company or an independent institute.

But at this time, the current plan to meet UCSF needs is a 2.65 million square foot program that accommodates the needs of the University of California faculty and the needs for expansion and consolidation for UCSF itself, not new ventures with the private sector.

MS. CONNELL: I just want to be clear on that.

Because I think it's important to your legal interpretation as well, Dennis, of "same or greater value" here.

If we're transferring through our action today, I want to make sure the beneficiary here is UCSF, and that we are not indeed giving property as a conduit through UCSF to private sector venture activities.

I mean I am totally supportive of the
venture activity for biomedical. That's the only way
we're going to fund the biomedical excellence in
California. But I want to just make sure that we're
clear in the actions that we take who benefits from
the transfer of those rights.

And I just want to indicate, again, then
this is going to UCSF, and it is the intent at this
time to use that primarily for academic and R and D
activity for the university. Subsequent there may be
some synergistic development around the boundaries of
this particular designated parcel that would support,
supplement and enhance, perhaps, the R and D work of
the university.

Is that a correct statement, Bruce?

MR. SPAULDING: That's precisely
correct. That's the plan. And that plan has been
adopted formally by the regents in a long range
development plan and a full California environmental
impact report has begun reflecting that. So the
title to the land and the activities within the 43
acres would be exclusively regental actions for
regental purposes. No private purpose.

MS. CONNELL: Are there questions of
Mr. Spaulding? Robin, do you have questions?

MR. DEZEMBER: No, I don't have any.
MS. CONNELL: Michael, do you have any questions?

MR. FLORES: No.

MS. CONNELL: Thank you very much.

MR. SPAULDING: You're welcome.

MS. CONNELL: I do believe we had another individual.

Mr. Stimpson, did you want to answer any questions or provide any additional information at this point?

MR. STIMPSON: I'm just available for any questions, if there are any.

MR. HIGHT: Mr. Stimpson is from Catellus Development. And he's here in case there are any questions.

MS. CONNELL: Mr. Stimpson, I would like to ask a question to you about your future plans. If you could approach the podium, please.

MR. STIMPSON: Sure.

MS. CONNELL: Mr. Spaulding just went through what the intent was of the UCSF and the board of regents regarding their parcel of land.

What is the likelihood of receiving the kind of interests that was indicated by Mr. Spaulding in the surrounding orange areas of the map?
Have you been actively soliciting biomedical or pharmaceutical companies? And is there an interest in this particular geographic area by those companies?

MR. STIMPSON: Let me answer. At this point we’re not actively soliciting joint venture opportunities or leasing opportunities. We’re in an entitlement mode. We’re just preparing the site for development.

We actually have, though, to answer the question, we’ve gotten numerous calls from pharmaceutical companies, biotech companies, and many companies within the bay area whose roots were from UCSF, who ended up going to Emeryville or to south San Francisco or other places in the bay area who would prefer to be closer to the university.

So we have fielded many questions and have spoken to people about the plan. And we feel that there will be a significant interest as we get through the entitlement and the predevelopment process and into the actual marketing process, which we would expect will begin next year.

MS. CONNELL: If you don’t use the adjacent land for pharmaceutical companies, what do you think might be a compatible use?
MR. STIMPSON: Well, the area is zoned as office and biotech, R and D. And it allows those types of uses. And so we would have the flexibility of providing office uses or research and development. And actually in some instances some retail uses as well.

The idea is this is a mixed use community and there would be a lot of opportunities for different types of uses to interact within the entire Mission Bay area.

MS. CONNELL: What is the density in this area?

MR. STIMPSON: I can tell you the different uses, and I think it might be -- rather than a density of 2.65 FAR. I'm not sure if that's helpful.

MS. CONNELL: That's the whole parcel?

MR. STIMPSON: Yeah. What we have in the yellow area is about 6,000 housing units, including 1,700 affordable housing units that would be built by the redevelopment agency on land that Catellus donated.

In the campus, as Bruce Spaulding mentioned, is 2.65 million square feet of R and D space for the university. And there will be about
5 million square feet of space in the Catellus property surrounding in the red -- or rust colored areas of 2.5 million square feet.

MS. CONNELL: Is Catellus serving as a developer of the property itself or as a land developer? In other words, will you be doing the actual construction of structures yourself or are you just serving as the person who has acquired the land, has gotten it permitted, and is selling off parcels?

MR. STIMPSON: We will take a whole range of roles. Let me distinguish, first of all, the university's property, we have -- the role we have on the university's property is to provide infrastructure around -- because this area, as you can tell from the aerial photos, is an old industrial area. It needs all new infrastructure, from the roads and sewers and everything else, and open space. And that's our function with respect to the university.

Whereas the university will be building the buildings on the campus. Surrounding the university we will be doing the land development, which includes putting in the infrastructure. And then there will be a variety of options for us.

We're a development company, so we will
be building some of the buildings, whether it’s housing for rent or for sale or whether it’s commercial. But we also will be selling some lots as well to make this site develop out in a timely manner.

And a lot of times, for pharmaceutical companies particularly, they may want to own a site. And so we would work with them to either do a long-term lease or to sell them a site or develop it for them on a lease basis.

MS. CONNELL: Thank you.

Are there any questions of Mr. Stimpson?

MR. DEZEMBER: No.

MR. FLORES: No.

MS. CONNELL: Thank you, sir.

MR. STIMPSON: Thank you.

MS. CONNELL: Now, I believe that we’re ready at this point for a motion.

Can I receive a motion from one of the board members on this agenda item?

MR. FLORES: I move for approval.

MR. DEZEMBER: Second.

MS. CONNELL: It’s been moved and seconded. And that’s a unanimous note.

Now I believe we’re now on Item 134 --
oh, excuse me.

Are there any other members of the audience -- I should have asked that before the vote -- who wanted to speak on this item? Thank you.

Item 134. This is an important item on the subsea well abandonment program in the Santa Barbara Channel. It seems every agenda we have Santa Barbara.

May we have a staff presentation on this item, please?

MR. HIGHT: Yes, Madam Chair. Paul Mount and Jeff Planck of the commissions' Long Beach operations will present this item.

MR. MOUNT: Good morning.

In the 1960's a number of subsea exploratory development wells were drilled in the Santa Barbara Channel. A number of these wells, 23 to be exact, were never abandoned and they existed up until this project. At the direction of the State Lands Commission, six major oil companies had spent over 100 million dollars abandoning these wells.

Jeff Planck, our senior engineer in charge of this project, is going to give you a presentation and explain what this is all about.

MS. CONNELL: Thank you.
MR. PLANCK: Thank you, Paul.

Good morning, Commissioners.

This was an exciting project bringing together the best of government and business toward a common goal for the benefit of both.

The acronym SWARS, stood for Subsea Well Abandonment and Rig Sharing. It began as a request from one oil company to remove some old equipment from one of the 1960 wells. And under the direction of the commission and staff it became an unprecedented project with six oil companies sharing one rig to abandon the 23 wells.

This avoided piece meal environmental documentation and potentially a number of rigs, and saved considerable time and money required to abandon the wells.

The six companies involved were Shell -- which is now AERA -- Chevron, Phillips, Texaco, and Unocal. They formed a project management company to oversee this phase of the project. And as Paul said, committed over 100 million dollars to the project.

The SLC staff identified 23 oil wells and various leashes which were shut in and no longer producing. We stressed on the operators the
environmental and financial wisdom of taking care of all these wells at the same time.

The wells were originally drilled from mobile rigs, there was no associated platform. And the production flowed straight from the well head to shore through flow lines.

And it wasn't only the industry which would save time and money, but it was also the state, local and federal agencies which had interest in or permit approval over the project.

Under the lead of the commission the other agencies, The Coastal Commission, The Division of Oil and Gas, Fish and Game, Port of Quality Control Board, the local Santa Barbara County Energy Division, and APCD, and the federal agencies EPA, and Fish and Game, Wildlife, the Corp of Engineers, the Coast Guard, MMS all reviewed the IR and permitting effort.

It was quite an undertaking and a joint effort of the industry and government working in partnership to achieve a public trust goal.

The mission was well defined: Properly abandon these 23 wells and remove the subsea well heads and the associated flow lines and restore the ocean floor to its original condition. This was the
largest phase of this project and is the subject of this presentation.

MS. CONNELL: What was the time period on this?

MR. PLANCK: It occurred over -- it was programed for nine months and occurred over eight months.

MS. CONNELL: What --

MR. PLANCK: From August of 1997 to March of this year.

MS. CONNELL: Thank you.

MR. PLANCK: During the life of these wells, they collectively produced over 4 million barrels of oil and 140 billion cubic feet of gas without incident to the benefit of the state.

Geotechnical and biological surveys were done prior to bringing the rig in and a visual survey of the well heads showed that they had some close encounters with fishing nets. The well heads --

MS. CONNELL: What does that mean, "close encounters with fishing nets"?

MR. PLANCK: That means we had to remove a lot of fishing nets before we could do the work.

MS. CONNELL: So the close encounter was actually very intimate? Okay.
MR. PLANCK: The well heads and the flow lines were cleaned of marine growth and the flow lines were disconnected from the well head prior to moving the rig in.

The abandonment process was simple, but it was complicated by the age and neatness of each well head. Special tools and equipment had to be developed. The rig was positioned over each well and the well head was connected to the rig and --

MS. CONNELL: Excuse me.

Can every member of the audience see this? Is this screen positioned in a way that -- I'm afraid that this half of the audience is missing the presentation.

Are you able to see? If you want to, in any case, move so that you can get the benefit of this.

Go ahead, please, Jeff.

MR. PLANCK: Okay. The process of abandoning the wells starts with moving the rig over the well head and attaching this conduit to the rig. On top of the conduit we put blow out preventers which form a closed system.

Once the production pipe and equipment is removed from the well bore, the well bore is
filled with cement across the production zones.
Various other steel and cement plugs were set in
other geologically significant air holes as
determined by the Division of Oil and Gas.

Each of the steel casings of the hole
were cut and removed below the ocean floor and cement
was placed over the stud to prevent any potential
flow from below or around the pipe. These cement,
steel and other plugs filled the entire hole. And
after their surface plug was set, the well head was
removed and less casing was cut below the sea floor.

MS. CONNELL: Kind of like a root canal?
MR. PLANCK: Very similar.

The wells were -- there wasn't really an
average depth. The wells were drilled in up to 300
feet of water and anywhere from, I think, 70 was
shallowest. And some of these wells were in excess
of two miles below the ocean floor in depths of over
12,000 feet.

MR. FLORES: And you would fill the
entire thing?

MR. PLANCK: We didn't fill it entirely
with cement. But cement was placed across various
geological structures which may have hydrocarbons in
them. And there were also fluid plugs and steel
plugs.

What the subsea well heads look like -- this is one of the actual well heads back in the '60s sitting in the yard before installation. As you can see from the scale of the gentleman standing on the ladder, it was about 12 or 15 foot high.

This was the average size of most of the well heads we're talking about. Although a couple were in excess 30 feet. They were rather large structures.

Here is what the same well head looked like after decades on the ocean floor. Thanks to the corrosion protection system required by State Lands Commission regulations, the head was in great shape and literally could be used again. It also appears to have been a condominium of sorts for a bunch of sea life. You can see some of that wasn't totally cleared off.

All the goals of the project were accomplished. The project was finished in 240 days, a month ahead of schedule, in spite of the El Nino weather delays we had. There were no spills or no other accidents of any sort.

The commission staff monitored the work daily and observed adherence to the environmental
mitigation plan, the oil spill conditioning plans, and all of the other terms and conditions by the various permitting authorities.

The sites were surveyed prior to and after all the work, and video and written records were made to assure that there was little or no affect on the sea floor. And that all that would be left would be the brick foot prints in the sandy bottom. And that was all that was left behind.

MS. CONNELL: Extraordinary process. Are there any questions by the members of the board?

MR. DEZEMBER: No.

MS. CONNELL: You know, actually I would think, Mr. Hight, that this might not be a bad presentation to make available on our web site if we could.

MR. HIGHT: Okay.

MS. CONNELL: And I think it would be something that we might want to send out to the science teachers in the schools in California.

My own children have just finished a sequence on oceans and tidelands and preserving quality of the oceans.

And I would think this kind of
information would be very helpful to the teachers in California. Particularly if they could draw down on the web site the photographs that you just showed us. I mean the whole process of how you convert an oil well and then take it back out, I would think it would be a good source of information.

MR. HIGHT: We will try to do that.

MS. CONNELL: Any additional comments from the audience?

Then if not, I think there is no action required. Am I correct, Mr. Hight, on this item?

MS. CONNELL: Correct. This was just to inform you that we have successfully completed what we think is a rather significant project.

MS. CONNELL: Thank you. And I want to congratulate the staff and those who worked with us on it. This is obviously a priority of the community of Santa Barbara; certainly to the environmental community in California, in fact, all Californians that we were able to do this. It’s an eye sore that’s now been removed and successfully so.

And given our more recent history with the surfers in Santa Barbara and Ventura County, I’m sure that they’re happy to see that these oil wells are also no longer present in the bay.
Let us move on, if we may, to Item 136. And this relates to the 60th anniversary of the establishment of the State Lands Commission.

Are we going to have a giant cake here, Mr. Hight. Do you want to move forward on this item?

MR. HIGHT: Yes. If we could just take Item 135 for one second.

MS. CONNELL: Certainly.

MR. HIGHT: And I would like Paul Thayer, assistant executive officer, to present that.

MR. THAYER: Thank you.

Like the last item, this is an informational item that doesn’t require any commission action.

What we wanted to bring to your attention the federal award for permanent streamlining that was recently given to the dredge material management office in San Francisco. This was an office that we’re a partner in. And it involves the five different agencies that regulate dredging in the San Francisco Bay.

Several years ago these agencies got together, established this office to speed the processing of these important projects, they are very important to the reports in San Francisco.
And basically what the office has done is generated a single permit application that can be used by all the different agencies. And the result is that the whole process is better coordinated, both between the agencies and with the applicant that is doing the dredging.

The award that was given is called the Hammer Award. It is actually given by Vice President Gore. And it's named interestingly enough after the $600 hammer that several years ago turned out that that's how much money the Air Force was paying for under federal contract for an ordinary hammer.

MS. CONNELL: It must have been -- what was it called?

MR. THAYER: The Golden Fleece Award.

MS. CONNELL: Yes. The Golden Fleece Award.

Was that Proxmyer?

MR. THAYER: Proxmyer, yes.

MS. CONNELL: Yes.

MR. THAYER: This is only a $6 hammer that was given out.

MS. CONNELL: Well, that's because the Clinton/Gore administration has been cutting costs. Government officials.
MR. THAYER: Absolutely. And that’s, of course, the whole point of this award is to recognize that this office has hopefully cut cost, not only for federal and state agencies that participate in it, but for the outlook as well.

So I think it’s a well-deserved award.

Our executive officer and Mary How who worked on this project for us, were down in San Francisco to get this yesterday. And the general of the Corp represented it. And I think --

MS. CONNELL: Do you have your hammer with you today?

MR. HIGHT: They only gave one hammer. And the Corp decided that it would rotate amongst the various agencies. And since they had been instrumental in getting it, they took it.

So we will eventually get the hammer and we will bring it to a commission meeting. It’s in a plaque about this big with a little signed thanks from the Vice President on it.

MS. CONNELL: Did it come with any nails or just a hammer?

MR. HIGHT: Just a hammer.

MS. CONNELL: That’s a really cost efficient administration.
MR. THAYER: So anyway, we knew that product streamlining and red tape cutting has been a priority for the commission. And we wanted you to know that these efforts have been recognized by the federal government.

MS. CONNELL: Again, congratulations for the efforts of the State Lands Commission. I'm sure my fellow board members join me in that.

Now we will move on to our birthday party. And it's actually our anniversary rather than birthday party.

And, Mr. Hight, will you present the item?

MR. HIGHT: What we would like to do is just kind of previously highlight 60 years of the Lands Commission.

June 11th was the 60th year. The Lands Commission was created in 1938 as a result of some -- I'll find a nice word -- some issues relating to oil and gas. And so with great wisdom, the legislature created the Lands Commission composed as it is today, Lieutenant Governor, The Controller, The Director of Finance to oversee all of the public's lands.

Actually, the entity that -- that job was originally done with the Surveyor General.
And through time it passed down to a number of other agencies and eventually came to the Lands Commission. But currently the Lands Commission has jurisdiction over approximately 4 million acres of national navigable waters, the oceans, the lakes and streams of the state. 1,100 miles of shoreline, some 570,000 acres of school land and another 760,000 acres of minerals --

MS. CONNELL: Go through that again once more for the audience, because they are important statistics.

MR. HIGHT: 4 million acres of sovereign lands, which includes the ocean out three miles; all the navigable lakes, rivers and streams in the state. 111 miles of coast line -- 1,100. It would be nice if we had that big of a coast.

570,000 acres of school land that we own surface and the fee, the minerals. And then another 760,000 acres of school land that we have the mineral rights on.

The legislature, in their infinite wisdom, decided that it was a good idea to sell school lands. And so they started selling school lands. And then they realized we probably shouldn't sell this stuff, but we don't have the political
power to stop the sale, so they reserved the mineral rights back.

And then finally when the Lands Commission was created, by then the stuff that was any good was sold. Originally we had about 5 million acres of school lands. A number of the other states support their schools entirely with revenue from school lands. New Mexico does it entirely. The state of Washington almost does it entirely.

So we're -- we don’t fall in that category. But in the last ten years we’ve produced 60 million dollars of revenue for STRS for the retired teachers. The commission also has oversight responsibility over all of the ports. There are 70 legislative grants to cities and counties in the state, ports of Los Angeles, Long Beach, San Francisco.

And the ports of L.A. and Long Beach alone produce about 200 billion dollars a year to California’s economies.

Another item that we’re really quite proud of is the Kapiloff Land Bank, which was created in 1982, which was the source of the revenue for the Cosumnes River Preserve.

Since that time we’ve purchased from the
bank about 14,000 acres of land that has been being
used for parks, wetlands, open space, wildlife
habitat. So with that mechanism, we're able to save
land for future generations.

Another thing that the commission has
been quite instrumental in was the establishment of
the Keen Olympic Oil Spill Pollution and Prevention
Act of 1991, which was the direct result of the
Valdez oil spill. And it resulted in the initiation
of the Office of Oil Spill Prevention in the
commission which Gary Gregory is charged with.

A couple of other items of interest; the
commission, along with the City of Long Beach,
received a settlement of 320 million dollars from the
oil companies for price fixing. In addition, we
received about 6,000 thousand acres of
environmentally significant land.

The commission has been involved in a
fair number of lawsuits. The bulk which have
been environmental protection. One of the most
significant is the Mono Lake litigation, which
resulted in saving Mono Lake so that the water level
maintains at a level so as to preserve the lake.

In recent times the commission has been
very active. And this commission has been
responsible for legislation in Congress to pay the
state for its share of the Oak Hills Naval Petroleum
Reserve. And the state ultimately will get 260
million dollars provided we can get Congress to
appropriate it each year for the next seven years.
So each year we will have a fight with
tcongress, but we’re hopeful that we will get the
full 260 million dollars.
In addition, the California Desert
Protection Act, which has allowed the commission to
exchange out lands in the desert, the federal
government, the Bureau of Land management will manage
the California desert including the commissions’
lands. And the commission will be able to exchange
out lands of equal value.
We’re working on a number of projects
with BLM and we’re hopeful to bring some of those to
you soon.
Another major issue was the settlement
in Bolsa Chica, whereby the commission acquired title
to Bolsa Chica. And that process is now ongoing. We
have hired an environmental consultant to do an EIR.
And we should be coming to the commission sometime in
the fall of next year with an approved concept plan
for the development. There is about 11 different
alternatives for the development and we will see how
the project works.

And last but not least, this commission
has learned more about surfing than --

MS. CONNELL: A sport which I understand
has low impact, so I might actually take it up soon.
It's of special interest to me.

MR. HIGHT: And lastly, we have -- I'll
come around so I won't trip over the things -- a
senate resolution that Senator Jack O'Connell
obtained which commends the commission for 60 years
of good service. We will have three of these
resolutions, but at the moment we only have one.

So Madam Chair --

MS. CONNELL: Thank you very much. I
will proudly put it in my office. I'll share it with
the other members of the board though so they can see
what it looks like. This is better than cake. There
is no caloric impact and you get to keep it and it
never disappears. Very nice. Thank you very much.

Well, I just want to echo the
accomplishments of the State Lands Commission. As
you may know, members of the audience, that as
controller I sit on 52 boards and commissions. So it
is a broad portfolio that I serve as the chief
financial officer of. And one that I have always personally felt to be most satisfying is the State Lands Commission.

And have been able to fortunately attend every meeting of the State Lands Commission during my term in office. And hopefully will have the opportunity to do so in my next term in office as well.

I think the State Lands Commission is an exemplary example of how government can work positively to support something which is very important to the future generations of California, and that’s land resources management.

The ability of this Lands Commission to create a positive and interactive relationship with the private sector is distinct in terms of my experience in government. We rarely have a controversy we can’t resolve. We are rarely in a situation where we don’t find a win/win parallel that enables us to conduct successful negotiations. And we have always been, I think, a champion of the environment in California.

I have the deepest respect for the staff members of the State Lands Commission and the work that they have done. It is always a pleasure to come
to these meetings. Even those meetings in which we
have been briefed, Bob, on windsurfing in the
Sacramento River; surfing in the coast of California;
hiking in the mountains. I think we have had quite a
number of interesting educational ventures in the
course of my brief term on this commission.

I want to add my appreciation to members
of the staff for contributing this generation of
staff to the legacy of the 60 years of the Lands
Commission.

MR. HIGHT: Thank you very much. And we
thank you for your wisdom and your guidance.

MS. CONNELL: Robin, do you want to add
anything?

MR. DEZEMBER: It would be very hard to
follow that. That was very eloquent and certainly
well deserved.

I think this is a testament; we have a
three and a half or four inch thick agenda that’s
almost all consent. And I think that attests to the
merits of the proposals that are contained in here,
as well as the staff’s ability to bring about those
conclusions.

And I think I would just echo your
words. They’re excellent.
MS. CONNELL: Mike Flores?

MR. FLORES: Madam Chairman, I think you said it well.

MS. CONNELL: Well, I’m sorry we don’t have any birthday cake or anniversary cake that we could share with the audience this morning. But we wouldn’t want to be using our taxpayer dollars in frivolous ways.

Are there any other items to come before the commission this morning? Is there anyone else who wishes to be recognized by the commission prior to adjourning?

If not, then I’m going to adjourn the meeting and I’m going to ask that we clear the room. We need to go into closed session on some litigation matters. Thank you.

(Whereupon the proceedings were adjourned at 11:20 a.m.)
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

I, Lori D. Casillas, CSR 9869, a Certified Shorthand Reporter in and for the state of California, do hereby certify:

That the foregoing proceeding was taken down by me in shorthand at the time and place named therein and was thereafter reduced to typewriting under my supervision; that this transcript is a true record of the testimony given by the witnesses and contains a full, true and correct report of the proceedings which took place at the time and place set forth in the caption thereto as shown by my original stenographic notes.

I further certify that I have no interest in the event of the action.

EXECUTED this 1st day of July, 1998.

Lori D. Casillas, CSR, RPR