PUBLIC HEARING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 113
SACRAMENTO, CALIFORNIA

WEDNESDAY, DECEMBER 16, 1998
11:15 A.M.

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APPEARANCES

COMMISSIONERS

Dr. Kathleen Connell, State Controller, Chair

Lieutenant Governor Gray Davis, represented by
Mr. Michael Flores

Mr. Craig L. Brown, Director of Finance, represented by
Mr. Robin Dezember

STAFF

Mr. Robert C. Hight, Executive Officer

Mr. Jack Rump, Chief Counsel

Mr. Blake D. Stevenson, Senior Counsel

Mr. Dave Plummer, Public Land Manager II

Mr. Paul Thayer, Legislative Liaison

Ms. Sharon Shaw, Administrative Assistant II

ALSO PRESENT

Mr. Richard M. Frank, Sr. Assistant Attorney General,
Land Law Section

Jesse Smith, San Francisco Deputy City Attorney

Bruce Spaulding, Vice-Chancellor, University of California,
San Francisco
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CHAIRPERSON CONNELL: Good morning. I apologize, I just came from another board meeting. Back to back board meetings.

I call the meeting to order and I believe all representatives of the Commission are present. And the first item of business will be the adoption of the minutes from our last meeting. May I have a motion to approve the minutes?

ACTING COMMISSIONER DEZEMBER: Move approval.

ACTING COMMISSIONER FLORES: Second.

CHAIRPERSON CONNELL: It's a unanimous vote. The next order of business will be the adoption of the consent calendar. I call on our Executive Officer, Robert Hight to indicate which items have been removed from the consent calendar.

EXECUTIVE OFFICER HIGHT: Good morning, Madam Chair and Commissioners. Items C-76, C-19, C-127, and C-75 have been removed from the consent calendar and will be heard at a later Commission date.

CHAIRPERSON CONNELL: Is there anyone in the audience today that would like to speak to any item on the consent calendar?

If not, we will proceed with the vote. May I have a motion on the consent calendar.

ACTING COMMISSIONER DEZEMBER: I'll move approval.
ACTING COMMISSIONER FLORES: Second.

CHAIRPERSON CONNELL: All right. It's been unanimously approved.

That will now take us to the regular calendar. And Item 130 is the first item on the regular calendar and we have discussed this previously at this Committee. And this is an item that deals with the title to the properties of the Catellus development project in the city and county of San Francisco. And this is a project that is an agreement concerning the expansion campus of the University of California at San Francisco.

Mr. Hight, will you give us the details of that?

EXECUTIVE OFFICER HIGHT: Yes. Thank you. This item, as you said, was the follow-up of the item that was on the Commission agenda last summer. And it was authorized by legislation in 1997. It solves -- clears title to a large block of land in San Francisco for development. And I'd like Blake Stevenson, Senior Staff Counsel to the Commission, who has been working on this item for some time, to describe it in more detail.

CHAIRPERSON CONNELL: Thank you.

SENIOR COUNSEL STEVENSON: Thanks, Bob.

 Commissioners, this is a piece of property that's located generally south of Market Street in San Francisco. For orientation on this first placard, the new Giants' Ballpark
is going to be in this location. The Bay Bridge comes across here. And here's this site totalling, I think, about 300 acres of land.

Since the Commission last considered this item and approved the item before it then, we have closed the Block 24 Phase of the campus expansion. And that UC campus title is a piece of property.

What we're here for today is to complete the entire transaction and to acquire all of what's called Phase 1 land that goes up to this line for the university. As Bob mentioned, this has been subject to legislation, which recognizes several things.

First of all, that this area, which is actually formerly a bay, it was submerged land. This area is rife with land title problems. It is subject to -- we subdivided going back a century with the blocks and blocks and the streets. And these streets remain -- to this day are not useful for public use purposes. The Legislature recognizes that and recognizes the title dispute, and then goes on to call for a reorientation of the ownerships in this area in a way that's beneficial and works with contemporary development habits. And also to use the State's rights in this area to acquire land for the campus.

So what we're doing is approving that today, the acquisition of the property within Phase 1 of the campus.
Phase 2 will be acquired through the Mission Agreement between the Catellus Company and UC and also the City and UC.

There's also a second property involved, also, in the legislation, which is referred to as the Western Pacific Property. It's a piece of land about two-thirds of a mile south of Mission Bay. It is basically at the foot of Cesar Chavez Street. It's 25 or 26 acres. The legislation also called for seven others and specifies a width of land which must come to the State in fee ownership to settle State claims within the property. We have constructed a settlement which meets the legislative objectives, just as here.

I forgot to mention that the legislation actually includes a map within, laying out the streets and the pattern of ownership of the State property which will exist at the end of the day. And it also specifies particular uses that the property is going to be put to.

Just for some background discussion, this is a pattern of the existing and disputed State rights on the property. It shows the old street where the ownerships are. The net result of what you are considering today, when finally implemented, will be this, which is patterned after the legislation. And the interests have basically been consolidated into a new pattern and new address for the benefit and acquisition of Phase 1.
The staff has looked at this from several aspects. First of all, the Commission needs to consider whether it can find that the properties being given up are equal -- excuse me, the properties being acquired are of equal or greater value to those given up. We have examined two appraisals, one for this property, one for the property in the south, and we feel confident that a finding can be made.

The second aspect of it is whether this final resolution benefits the Public Trust. We do believe that a finding can be made. So with that, I would like to turn to the University and the City for their description of the work they have done.

CHAIRPERSON CONNELL: Just before we do that, are there any questions by Members of the Commission?

Fine. Then if we can call on the other representatives.

EXECUTIVE DIRECTOR HIGHT: Let's start with Jesse Smith, the Deputy City Attorney from the City?

CHAIRPERSON CONNELL: Will you please identify yourself for the record.

MR. SMITH: Good morning, Chairman and Members of the Commission. I'm Jesse Smith. I'm a Deputy City Attorney with the City and County of San Francisco. I'm very privileged to be here before you today and request for approval on behalf of the City of the amended and restated
agreement concerning the Public Trust, which is a necessary
step in the implementation of Mission Bay, this land over
here.

I'd like to take a quick minute and thank Bob Hight
and his staff, particularly Blake Stevenson, Dave Plummer for
their good work that was done with the Attorney General's
office at this point.

The staff report and Blake's presentation, I think,
ably described the agreement before you and the legislative
authority for it. I'm going to focus on some background of
the project, some public benefits that flow from it and a
brief tour of the land use plan.

The project was approved by the City, including the
Port, including the agreement concerning the Public Trust
related land transfer agreement and entitlements and other
agreements necessary to implement the project in the past few
months, as broad public support has been the subject of many
public hearings and workshops.

The project has manifold public benefits. It's
crucial to the enhancement of public access to the enjoyment
of the waterfront. It also will provide jobs for about
35,000 plus people, including job opportunities for
economically disadvantaged persons, as well as housing about
15,000 people at full buildout.

It has about 50 acres of public parks and it also
affords net fiscal benefits to both the City and the State. In fact, the City commissioned a study of the benefits of the project that showed that over a 30-year period that the net fiscal benefits to the City would be between $525 and $575 million.

The Mission Bay Plan calls for redevelopment of an area that's about 303 acres, located about a mile from the Bay Bridge, which is up here. It involves the yellow area that's shown on this land use plan, which is residential uses, and I should say that it actually involves two separate redevelopment project areas.

One is in the north, this area here, that is approximately 65 acres, and then the south area here that's approximately 230 acres. The scale of the map is a bit deceptive. These areas aren't quite as large as are these blocks.

At the housing, there's a total of about 6,090 units, including about 1,700 that will be affordable. That's about 28 percent of the total, which nearly doubles the requirements of the redevelopment.

There is also about 50 acres of public parks, including this park here and this park here, that surround a channel and afford views of the channel and the Bay. And this park here, which is a bay-front park, we're actually going to be moving Terry Francois Boulevard from the water.
That park, to give you an idea of scale, is about eight acres, about the size of the area in green.

The area here is the campus that Bruce Spaulding can describe to you that the City and Catellus will be donating as part of this transaction and a land comprising about 43 acres. It's ringed by the red area here that we anticipate to be a mix of up to about six million square feet of research and development. It's hoped that the campus, which is the heart of the project, will really generate biotech uses here and help the city grow its biotech industry.

In addition, I said there's 50 acres of public parks, which the Trust would apply and afford access to the water. In addition to the new park and street infrastructure, there's a whole new and improved infrastructure both north and south that includes a new wastewater and sanitary system that will dramatically increase the health of the Bay and reduce outflows by about 30 million gallons a year and reduce the solids in wastewater by about 40 percent.

So there are a number of public benefits. One of the biggest, as well, is expanding UC in San Francisco and keeping it in the area. So we would urge you to act favorably on the project today so that the redevelopment can continue with due speed. And we hope and anticipate that Catellus would actually start on its first project and that
UC will start on their first projects in the summer or early fall of next year.

   The first project for Catellus is anticipated to be here right across from the ballpark. That will be a mix of residential and retail space.

CHAIRPERSON CONNELL: Thank you. Any questions by Members of the Commission?

Let's go to the second presentation.

EXECUTIVE DIRECTOR HIGHT: Bruce Spaulding, who is Vice-Chancellor of the University of California.

MR. SPAULDING: Thank you. Bruce Spaulding, Vice-Chancellor of the University of California, San Francisco. And I'm delighted to be back before you. I appeared at the June meeting to discuss the transfers relative to Block 24. This individual block, which was our first -- is our first construction site.

Just a little more detail, seeing there was a general perspective given on the environment, a little more detail on the campus itself. The campus is approximately 43 acres. We have committed, amongst other things, to commit this site, Site 14, to a school site to the San Francisco School District. And we're very interested in doing a new innovative school where we work together with Superintendent Rojas of the school district, to use the skills of the University of California as a biotech and health sciences
campus, to make this really an exciting and innovative new
approach to the school.

We hope to have joint-use facilities between the
school and some of the -- on the -- with the campus
facilities as well. In other words, in our community center
we might make accessible and available to the school
facilities such as the auditorium, music rooms, gyms, et
cetera. We also, in this general area, intend to have
outdoor courts and recreational areas that could conceivably
also be of joint use.

Within the overall 43 acres, there's eight acres of
open space in green. Generally, right now, we're planning a
major common and green in this general area between Block 20
-- the width between Block 21 and 22. And as was referenced,
we are under a detailed design now on a major building, a
building of about 380,000 feet on Block 24, which would have
a price tag of over $200 million in terms of construction.
And we intend to break ground for that in the autumn of
1999.

Again, this is intended to be a campus for the
State. The Regents of the University of California will
control it. We anticipate that all of the buildings will be
owned by the Regents, will be utilized for activities
directly related to our educational and research mission. We
do not anticipate any leases or arrangements with the private
sector on this parcel.

The University of California currently in San Francisco, between our own properties and between our leased facilities, has about six -- a little over six million gross square feet of space. I did an inventory since we last discussed this matter and we have currently no leases within any of our properties to any private sector pharmaceutical companies within our existing -- that's on our existing model.

If we were to have a joint arrangement with a private sector endeavor, whether it be pharmaceutical, medical instrumentation, et cetera, we would seek them to do that in the abutting zone and have them acquire land from Catellus or perhaps even in the abutting areas opposite the Catellus properties. We intend to keep this a public campus serving public purposes, and also quite an open campus, open to the community. It's not going to be gated. The green for public spaces and the like is going to be open to the neighborhoods and the residents of the San Francisco area.

So, all in all, we think the arrangement that the staff has negotiated here is one that's extraordinarily advantageous to the State, to the City and County of San Francisco and very much to us, the Regents. We've been land locked for over 20 years at our site on Parnassus above Golden Gate Park. And this will allow the campus to thrive
and move into the next century in a way that would not be possible without the provision of a new coherent site.

CHAIRPERSON CONNELL: May I ask you a question? Do you envision that the majority of the activity of the UC campus here is going to be research oriented or do you see it as being a combination of research and teaching? How many classes actually are going to be offered here? I had a feeling it was more of a research node.

MR. SPAULDING: Well, it is. Generally, the theme of this campus is a biomedical research endeavor. The buildings are going to be biomedical research, but the University of California at San Francisco, of course, is only a graduate school. And our teaching is graduate whether they're medical students or whether they're Ph.D. candidates in, let's say, molecular biology. Where is our teaching done?

The vast majority of our teaching is done at the bench in the laboratory. We have over a thousand, right now, post-doctoral students. In other words, individuals who have received a doctorate and they are now working on a specific procedure in an area to become an expert in, let's say, a particular disease related to Alzheimers or mad cow disease or any number of things.

So they come from around the country and around the world to the University after they get their doctorate to
work in our lab for additional teaching and educational
activities. So when you look at approximately 4,000
students, a lot -- a large percentage of our teaching is done
in the laboratory environment.

We will have classroom facilities peppered
throughout this. You know, there will be classrooms, seminar
rooms, et cetera but our method of instruction is one that
isn't the traditional classroom didactic lecture other than
in the first years of medical school. And that would be
primarily still on the main campus at Parnassus and our
affiliated site, the county hospital, San Francisco General.

CHAIRPERSON CONNELL: Okay. Are there other
questions?

ACTING COMMISSIONER DEZEMBER: I have a question.

CHAIRPERSON CONNELL: Mr. Dezember.

ACTING COMMISSIONER DEZEMBER: On Lot 24 there,
where you indicated that was the initial construction, what
will that be?

MR. SPAULDING: This is a basic science research
building. A lot of our molecular biology, a lot of our
chemical biology, the scientists that are working on the most
rudimentary science that is, in often times, two or three
steps away from direct application to the disease. So
obviously that -- without that research, you never get to the
second and third step.
But for example, we were pleased this autumn when one of our researchers won the Nobel Prize in medicine this year, Stan Prusiner. And his type of basic research, which was in mad cow disease, something I had mentioned earlier, is the kind of basic research that then was in a laboratory environment, that then has led to these major breakthroughs that have so much helped, particularly in England and Europe, as they face this dilemma over this very serious disease. And so that type of first- and second-phase research is the primary emphasis of this particular building.

We are also, on the design, we're building on -- we're building a 19B we call it. Our building numbers basically are the Catellus block numbers and indicate A, B, Cs, basically west to east along the block. So we're developing a building here as well, which is neurological research, which will have more clinical applications as opposed to basic.

What we're trying to do is create a feeling of campus and community as quickly as possible. So what we wanted to do is develop 24, which is under design, and 19 where we're selecting the architects as we speak, a major community center right on this end of the major public green. So we will start out with a phase of three or four buildings that circle the common -- the common, which, by the way, is comparable to Union Square in size.
So it's about the size of Union Square. And by doing that as our first phase, we feel we will create the sense of community and campus at an expeditious and facilitative way, rather than do it incrementally, block by block, and at some later date adding the open space, other things that would be important both to the campus and to the community in general.

ACTING COMMISSIONER DEZEMBER: Thank you.

CHAIRPERSON CONNELL: Thank you. Other questions?

ACTING COMMISSIONER FLORES: Do you have a time line for the ultimate completion of the whole project?

MR. SPAULDING: Well, it's 2.65 million square feet and we have a major fund raising campaign involved. We anticipate that the University of California, San Francisco will have a new capital campaign. We had a very successful one where we raised approximately $550 million three or four years ago, chaired by Tom Clausen, the former Chairman of the Bank of America.

We anticipate a new campaign of about a billion dollars to try and start raising money for this effort. We also hope with the new increases of the NIH Funds, there have been a wonderful increase in NIH funds the last couple of years, that we may be getting federal construction money as well.

But our only commitment is that we'd like to develop
this 2.65 million over the next 15 to 20 years. We can't do it -- not knowing the state of the State economy or other factors or where research will be, we can't predict that, you know, that we will do that, but that's a goal.

CHAIRPERSON CONNELL: Thank you. Is there anyone wishing to speak on this item in the audience?

I would just like to indicate on the record that I'm very supportive of this. I was earlier in the summer, specifically because I think it provides the natural nexus between an emerging industry, one of the hottest industries in the state, the biotechnical industry, and our UC system. And I think it's appropriate that we utilize and leverage the resources that we have at the UC system to accommodate the growth of the biotechnical industry.

It will be nice for San Francisco to share in the growth of the biotechnical industry. It's been basically a southern California phenomena, basically in La Jolla in San Diego and more recently in Orange County and L.A. County. So it would be nice to see it spreading north and into the Bay Area.

Do I have a motion from my fellow Commissioners on this?

ACTING COMMISSIONER FLORES: Move approval.

ACTING COMMISSIONER DEZEMBER: Second.

CHAIRPERSON CONNELL: It's a unanimous vote.
Now, as this meeting is going to be our last meeting I believe, for several of our Commissioners, actually, both, two of my other Commissioners here, I think it's appropriate that they be recognized for their services to the people of California. And we would like to make a presentation to Robin Dezember and Michael Flores at this time.

Just from a personal viewpoint, I'd like to indicate that it's been my great pleasure to serve with both of you over the last couple of years. I think we've accomplished a number of significant achievements for those who would care about the environment, care about the state of California's resources and those resources which are entrusted to our care.

I don't know what you are going to do Robin. I know, reading the papers, what Michael is going to do, so congratulations to Michael. But I hope that you always feel very proud of the accomplishments that you've shared in this Commission, that you've been a very large part of them.

The Controller has the advantage of sitting on over 50 boards and commissions. And so I sit with Robin on a couple of other boards as well. But I want to tell you that this has always been a commission that I have personally enjoyed. It is a commission that has worked well. I can only remember two or three occasions in four years which we've had anything other than a unanimous vote on this
commission, which is extraordinary given the dynamics of politics that we share here in Sacramento. And it is in large measure, I think, the universal commitment by all the Board to our common goals. So I want to thank my fellow board members and I think we have some plaques here for you. I'll start with Robin. "In recognition of your service as a representative of the Governor, the Chief Deputy, Director of the Department of Finance, California State Lands Commission in recognition of your service to the people of California and your stewardship of the State's Public Trust resources," this is presented today by the Commission and staff.

Congratulations to you. Thank you very much.

(Applause.)

CHAIRPERSON CONNELL: Robin, would you like to make any comments?

ACTING COMMISSIONER DEZEMBER: Well, it's hard to follow. You made them so well. This is quite a surprise and it's very, very nice. I would like to have a longer tenure working with you, but as such it is not in the cards, so I probably will be in the private sector here soon. But I've enjoyed this very much, too. It is, I have to say, only one of my favorite jobs as Chief Deputy of Finance, is the related functions. The Wildlife Conservation Board and the Conservancy also rank very high with me, but these kinds of
boards I think do provide a long, really long-term, fundamental benefit to the State and to the people. And I've had a great pleasure working with you for the past year. And thank you so much.

CHAIRPERSON CONNELL: Thank you.

(Applause.)

CHAIRPERSON CONNELL: And it's my pleasure now to present to Michael Flores, as Chief of Staff to the Lieutenant Governor Gray Davis. I wish Gray was here today as well, because I could give him a plaque and welcome him to his new roll as Governor. It's a pleasure to give this to you as well. Michael, "In recognition of your service to the people of California and your stewardship of the State's Public Trust resources." You know, these are beautiful plaques. I don't understand why the incumbent, reelected people can't get a plaque.

(Laughter.)

CHAIRMAN CONNELL: I mean, you know, there's something wrong here with this reward system. Michael, would you like to make some comments?

ACTING COMMISSIONER FLORES: Thank you very much. I'm speechless, but just thank you and thank Bob and his staff. They have been tremendous.

(Applause.)

CHAIRPERSON CONNELL: Is there any other item that
we need to have Bob take before the Commission?

EXECUTIVE DIRECTOR HIGHT: No, Madam Chair, that covers it. We'll now go into executive session.

CHAIRPERSON CONNELL: Yes. We'll go into closed session. And if I may just have the appropriate staff members stay with us.

Thank you all for coming and have a happy holiday.

And we'll see you in January.

(Thereupon the meeting of the State Lands Commission was concluded at 11:45 p.m.)
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of January, 1999.

JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
License No. 10063