

KAPILOFF LAND BANK REPORT FISCAL YEAR 2015 - 2016

CALIFORNIA DEPARTMENT OF WATER RESOURCES



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California
STATE LANDS
COMMISSION

KAPILOFF LAND BANK REPORT

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This report summarizes the status of property acquisitions by the California State Lands Commission and provides an accounting of money in the Kapiloff Land Bank Fund for fiscal year 2015-16.¹

BACKGROUND

The Kapiloff Land Bank Fund (Fund) enables the Commission to hold money in trust to acquire certain property or to expend for project specific mitigation and on other restoration projects.² The Fund was created to facilitate real property title settlements and land exchanges as an extension of the Commission's authority under Public Resources Code section 6307. The Commission accepts cash deposits when substitute parcels of equal value are not available for exchange. Money from title settlements may only be expended to purchase outstanding interests in tide and submerged lands, lands that have been or may be converted to wetlands, or adjoining or nearby lands where the public use and ownership of the land is necessary or extremely beneficial for public trust purposes.³ The Commission holds the acquired land as sovereign public trust lands with the same legal character as tide and submerged land.

Money may also be deposited into the Fund for management and improvement of real property held by the Commission and to provide open space, habitat for plants and animals, and public access.⁴ If a deposit is made into the Fund for mitigation purposes, the money is subject to a statutory trust limiting its use to the identified mitigation. Any person or entity may donate money into the Fund for projects, whether specified or not, that provide for public access to or management and improvement of real property held by Commission for open space, plant and animal habitat, and public access.

The Fund is organized into two general categories. The first is Title Settlements, which includes monies received from title settlements (deposits) and expended on property acquisitions (expenditures). The second category is Special Mitigation and Management Projects and includes monies set aside for several specific mitigation and management projects. The Fund began the fiscal year with a total balance of \$15,729,627.90. During the fiscal year the fund received deposits of \$1,117,330.10 and earned interest of \$65,927.13. A total of \$1,310,791.34 was spent during the year, mostly on the Bolsa Chica Lowlands Restoration and the Commission's Granted Lands Program, both of which are within the Special Mitigation and Management Projects category. The Fund ended the fiscal year with a balance of \$15,602,093.79, a net decline of \$127,534.11. Following is a summary of the activity in the Fund during the fiscal year.

1 This report complies with the annual reporting requirement in Public Resources Code section 8618.

2 Public Resources Code sections 8600, *et seq.*

3 Pub. Res. Code §§ 8613 (a), 8625(a).

4 Pub. Res. Code §§ 8613(b), 8625.

TITLE SETTLEMENTS

The Title Settlements portion of the fund began the fiscal year with a balance of \$6,222,212.93 and ended the year with a balance of \$6,277,683.67, a net increase of \$55,470.74. The increase is due to monies received from two title settlements completed during the fiscal year (see discussion below) and \$26,220.74 in interest earned on the balance. Following is a summary of the Title Settlements activity during the fiscal year.

Approved Title Settlements (Deposits)

The Commission approved three title settlement agreements during the 2015-16 fiscal year. Two of the agreements are complete.

At its October 2015 public meeting, the Commission authorized a compromise title settlement agreement with several parties involving property adjacent to the Petaluma River in the City of Petaluma, Sonoma County. As part of the agreement, \$20,000 was deposited into the Fund. For additional information, please access the Commission staff report at: ([October 16, 2015, Calendar Item 66](#)).

Also at its October 2015 public meeting, the Commission approved a title settlement agreement with Bay City Partners, LLC involving property along the San Gabriel River in the City of Seal Beach, Orange County. The agreement, which is not yet complete, involves terminating part of an existing public trust easement in exchange for granting a new public trust easement. Additionally, Bay City Partners, LLC will deposit \$1.42 million into the Fund. The development project associated with this agreement requires additional governmental approvals. When complete, this settlement agreement will be included in a future Kapiloff Land Bank Report. For additional information, please access the Commission staff report at: ([October 16, 2015, Calendar Item 73](#)).

At its February 2016 public meeting, the Commission approved a compromise title settlement and exchange agreement to settle a boundary dispute related to quiet title litigation initiated by Sportsman's Paradise, Inc. The settlement terminated the State's sovereign public trust interests in approximately 5 acres of cut-off and filled land located in an historic channel of the Colorado River in Imperial County and conveyed that land by quitclaim to Sportsman's Paradise, Inc. in exchange for a deposit of \$9,250 into the Fund. Sportsman's Paradise, Inc. deposited the amount into the Fund and the transaction is complete. For additional information, please access the Commission staff report at: ([February 9, 2016, Calendar Item 76](#)).

Property Acquisitions (Expenditures)

The Commission did not authorize any expenditures during the 2015-16 fiscal year. SB 968 (Hill), Chapter 922, Statutes of 2014, required the Commission to negotiate an agreement with the owner of Martins Beach in San Mateo County to acquire a right-of-way or easement to create a public access route to and along the shoreline, including the sandy beach.⁵ The Commission, however, was unable to reach an agreement with the property owner to acquire a right-of-way or easement.

⁵ Pub. Res. Code § 6213.5.

SPECIAL MITIGATION AND MANAGEMENT PROJECTS

The Special Mitigation and Management Projects part of the Fund started the fiscal year with a balance of \$9,507,414.97. A total of \$1,088,080.10 in deposits was received and \$39,706.39 in interest was earned during the fiscal year. Expenses totaled \$1,310,791.34. Special Mitigation and Management Projects ended the fiscal year with a balance of \$9,324,410.13, a net decrease of \$183,004.85. Notable activity within this part of the Fund is summarized below.

Bolsa Chica Lowlands Restoration

The Bolsa Chica Lowlands Restoration Project consists of 880 acres of lowlands in Orange County adjacent to the Pacific Ocean and 327 acres of historic wetlands acquired in 1973. The majority of the property has been transformed into a full tidal basin with the remainder into wetlands. The primary source of funding was the Ports of Los Angeles and Long Beach, in exchange for mitigation credits necessary for port expansion. The only funding that was received during the 2015-16 fiscal year was \$5,440 that the nonprofit group the Amigos de Bolsa Chica deposited in April, 2016. A total of \$777,672.05 was expended during the fiscal year for site management, environmental monitoring, and minor repairs, and \$879,612.00⁶ was incurred for inlet dredging and was accrued for a total 2015-16 expenditure of \$1,657,284.05.

Owens Lake Dust Abatement

In February, 2016, the Commission received \$700,000 from the City of Los Angeles Department of Water and Power to mitigate for the loss of public trust values on 2.83 square miles of Owens Lake that will be covered with gravel as part of a lease for dust control purposes (Lease No. PRC 8079.9). The funds may be used for any purpose related to Owens Lake or adjacent real property, including acquisition, management, and maintenance. Please access the Commission staff report for more information ([August 19, 2015, Calendar Item 61](#)).

Granted Lands Program

Local governments that manage granted lands are known as trustees and must ensure that revenue generated from the use of these lands is used for purposes that further the Public Trust. The Commission, however, is responsible for overseeing granted lands and for ensuring that they are properly managed. Revenue generated on certain granted public trust lands is deposited in the Kapiloff Land Bank Fund for the administration of the Commission's granted lands program. The trustees that are required to deposit revenue into the Fund are the Cities of Newport Beach, Pittsburg, Eureka, and Martinez.⁷ A total of \$382,640.10 was received in the 2015-16 fiscal year and a total of \$532,619.61 was expended in the fiscal year to assist trustees in the management of trust lands and assets.

⁶ While this cost was incurred during the fiscal year, it was paid in the 2016-17 fiscal year.

⁷ City of Newport Beach (Chapter 728, Statutes of 1994; Chapter 317, Statutes of 1997); City of Pittsburg (Chapter 422, Statutes of 2011); City of Martinez (Chapter 628, Statutes of 2014); City of Eureka (Chapter 891, Statutes of 2014).

FUND BALANCE

The balance of the Kapiloff Land Bank as of July 1, 2016 is summarized below.

FUND BALANCE SUMMARY 07/01/2016

Title Settlements (Pub. Res. Code § 8625 (a))	\$ 6,277,683.66
Special Mitigation and Management Projects	\$9,324,410.13
Bolsa Chica Lowlands Restoration	\$ 6,246,340.60
Granted Lands	\$ 171,387.07
Other Special Mitigation and Management Projects	\$ 2,906,682.46
Total Fund Balance	\$15,602,093.79

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