

MINUTE ITEM

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Taylor
Grimes

12. LITIGATION AND TITLE DISPUTE SETTLEMENT AGREEMENT
REGARDING LANDS IN THE WILMINGTON DISTRICT OF THE
CITY OF LOS ANGELES, CALIFORNIA

Calendar Item 12 attached, was pulled from the agenda prior to
the meeting.

Attachment: Calendar Item 12 (12 pages).

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12.

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LITIGATION AND TITLE DISPUTE SETTLEMENT
AGREEMENT REGARDING LANDS IN THE
WILMINGTON DISTRICT OF THE CITY OF
LOS ANGELES, CALIFORNIA

(City of Los Angeles v. Los Angeles and
Salt Lake Railroad Company [Union Pacific
Railroad Company]; State of California; et al.,
Los Angeles Superior Court No. 961846)

PARTIES TO AGREEMENT:

City of Los Angeles
State of California
Union Pacific Land
Resources Corporation
Champlin Petroleum Company

This item recommends settlement of the Union Pacific case, described above, by the approval of and authorization to execute the Litigation and Title Dispute Settlement Agreement, which has been proposed by the parties. That Settlement Agreement contemplates the resolution of the title controversies presented in the Union Pacific lawsuit by means of an exchange of lands and mutual conveyances to effectuate the settlement. The land exchange will be made on an equal-or-greater-value basis in favor of the City and State.

As a result of the settlement, the City will acquire an 80+ acre parcel immediately adjacent to lands presently administered by the Port of Los Angeles, thus giving the City the benefit of a larger and more usable contiguous parcel of harbor property and enabling it to implement more rapidly the planned expansion of its port facilities and operations. Also, the City will receive title to the Consolidated Slip channel, thereby creating an additional 40+ acres of navigable waterways for increased harbor usage. The City's Harbor Department expects substantially increased revenue from this area within a short time after this settlement is finalized.

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The immediate dispute among the parties arose in 1969 when the City of Los Angeles sued the Los Angeles and Salt Lake Railroad Company, predecessor in interest to the Union Pacific Railroad Company (which is affiliated with the Union Pacific Land Resources Corporation and the Champlin Petroleum Company) to quiet title to certain lands situated in the vicinity of Consolidated Slip and Cerritos Channel in the Los Angeles Harbor area of the City. The State of California was joined as a defendant in the case because granted trust lands were involved and its joinder is required by Section 6308 of the Public Resources Code. (Beginning in 1911, the tidelands and submerged lands within its boundaries were granted in trust to the City by the Legislature.)

In that case, the City and State have contended that a portion of the lands in question consisted of historical tidelands and submerged lands impressed with the sovereign public trust for commerce, navigation and fishery, which lands were never included originally in the Rancho San Pedro granted by the governor of Mexico and later confirmed by patent issued by the United States. Rather, those portions of the lands were contained among those lands underlying the navigable waters of the Inner Bay of San Pedro and thus excepted and excluded from the Rancho grant. On the other hand, Union Pacific and Champlin, as successors in interest to the original grantees and patentees of the Rancho San Pedro, have challenged the contentions of the City and State and have asserted that a large part of the subject lands was contained in the Rancho patent and was not excluded from the Rancho as among the lands of the Inner Bay Exception thereto.

Representatives of the parties have conducted independent engineering and other studies with the advice of their respective counsel to attempt to ascertain the location of the last natural position of the mean high-water line in the vicinity of the property in controversy, but the evidence each has uncovered is conflicting. Thus, no agreement among them has been made on that subject. The absence of agreement is due in large part to the extensive alterations of the lands by artificial processes (such as dredging and filling) and the present lack of complete and accurate maps, surveys and other records of the area prior to the intervention of man.

A further complication to the parties analyses of the situation at hand has been the assessment of the legal

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effects of two preceding cases, Wheatley v. San Pedro, Los Angeles and Salt Lake Railroad Company, and City of Los Angeles v. San Pedro, Los Angeles and Salt Lake Railroad Company, both of which were ultimately decided by the California Supreme Court. In each of those cases, the line of mean high-tide was adjudged as to certain portions of the Inner Bay of San Pedro lying in the vicinity of the lands in the present dispute. However, there are inconsistencies between the two cases regarding the adjudicated lines.

Following extensive and protracted negotiations, representatives of the parties have reached an agreement in principle for resolving the title questions presented in the Union Pacific litigation by way of a land exchange. The settlement of the title and boundary disputes in that fashion has been authorized specifically by the Legislature in its enactment of Chapter 926 of the Statutes of 1979. Chapter 926 permits the City of Los Angeles, as trust grantee, to enter into exchanges of its granted lands for the purpose of settling such disputes, provided that the lands acquired by the City are of equal or greater value than those relinquished. The 1979 legislation also provides that the State Lands Commission must approve any such exchange. The Commission is also authorized to terminate the public trust which exists over the lands relinquished pursuant to the land exchange.

Resolution of this controversy by agreement, in lieu of trial, would be in the public interest because, in part, of the expense, burden, lengthy time and unpredictable outcome of trial to decide the many complex factual and legal issues presented.

The essential elements of the Settlement Agreement are as follows:

1. The City will acquire from Union Pacific and Champlin title to the surface estate of an 80+ acre parcel northerly of the Consolidated Slip and adjacent to lands currently being managed by the City Harbor Department as part of its port operations, along with three parcels totalling 5.5 acres southerly of Consolidated Slip. Union Pacific and Champlin will reserve and retain the mineral interest underlying those surface lands together with surface entry rights appurtenant thereto for continued development

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of the reserved mineral estate. The surface reservations will be in effect until production in the Wilmington Field within 3 Kilometers of the 80+ acre parcel ceases.

2. The City will also acquire fee title to 40+ acres of property in and underlying the Consolidated Slip, subject to certain access rights retained by Union Pacific for the benefit of its property lying southerly of the Slip. The mineral interest in these City lands will be leased to Union Pacific and Champlin for a period of 35 years, with the consideration for the lease being accounted for in the totality of the consideration passing in the Settlement Agreement.
3. Fee title in certain lands situated southerly of the Consolidated Slip will be confirmed in Union Pacific and Champlin. The sovereign or public trust interest in those lands to the extent existing will be terminated by the City and State. The parcel contains 120+ acres.
4. Additionally the City is receiving confirmation of title to 4 parcels in the immediate vicinity totalling 67+ acres.
5. The City will pay to Union Pacific the sum of six million and no/100 dollars (\$6,000,000.00).

The City and Union Pacific each have had separate appraisals performed of the values of the rights and interests to be exchanged, retained and relinquished by the respective parties. The staff of the State Lands Commission has reviewed those appraisals and, though not adopting or accepting any of such in its entirety, has independently analyzed and evaluated the values of the respective property interests covered under the Settlement Agreement. The staff analysis and evaluation indicates that the rights and interests received by the City and State are equal or greater in value than their claims and interests being relinquished and extinguished, together with the monetary consideration payable under the Agreement. The Attorney General's Office has advised the staff as to the applicable legal principles throughout this as well as other aspects of the settlement process.

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Copies of the Settlement Agreement, its attachments and exhibits and all other documents necessary to accomplish the foregoing transaction are on file in the office of the State Lands Commission. By this reference they are incorporated herein as if set forth fully.

A Negative Declaration was prepared by the Port of Los Angeles pursuant to CEQA and implementing regulations. A notice of determination has been received.

This project is situated on State land identified as possessing significant environmental values pursuant to P.R.C. 6370.1, and is classified in a use category, Class B, which authorizes limited use. Staff review indicates that there will be no significant effect upon the identified environmental values.

The mineral lease to Union Pacific and Champlin has been negotiated in accordance with Section 7051 et seq. of the Public Resources Code. The present transaction should be exempted from the provisions of Sections 7058.5 and 7059 of that Code because adhering to the procedures called for therein would be impractical due to the relatively small size of the parcel to be leased. Entering into such mineral lease and performance thereunder would be in the public interest and would not impair the public trust for commerce, navigation and fisheries in the City's remaining granted lands.

This Settlement Agreement and underlying transaction are exempt from the requirements of the Subdivision Map Act, pursuant to Section 66412(e) of the Government Code. The agreement and transaction is also exempt from the provisions of the California Coastal Act, pursuant to Section 31416(c) of the Public Resources Code.

This settlement proposal has been reviewed and approved in its entirety by the Office of the California Attorney General as to compliance with applicable law and rules and regulations of the State Lands Commission.

EXHIBITS: A. Site Map. B. Parcel Map. C. Negative
 Declaration

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE EXCHANGE OF LANDS, AND RIGHTS AND INTERESTS THEREIN, SET FORTH IN THE SETTLEMENT AGREEMENT REFERRED

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TO ABOVE AND DESCRIBED IN PARAGRAPH 3 BELOW IS IN THE BEST INTERESTS OF THE STATE AND THE PUBLIC AND IN FURTHERANCE OF THE PUBLIC TRUST PURPOSES OF COMMERCE, NAVIGATION AND FISHERY; THAT IT WILL NOT SUBSTANTIALLY INTERFERE WITH THESE TRUST PURPOSES, BUT RATHER WILL ENHANCE AND ENLARGE THE PUBLIC RIGHTS AND UTILIZATION OF THE WATERWAYS INVOLVED IN THIS SETTLEMENT.

2. FIND THAT THE VALUE OF THE TITLES AND INTERESTS IN THE LANDS ACQUIRED BY THE CITY AND STATE FROM UNION PACIFIC IS EQUAL TO OR GREATER THAN THE VALUE OF THE TITLES AND INTERESTS IN THE LANDS BEING EXTINGUISHED, REMOVED AND RELINQUISHED AS A RESULT OF THIS SETTLEMENT TOGETHER WITH THE MONETARY CONSIDERATION PAYABLE THEREUNDER.
3. APPROVE AND AUTHORIZE THE EXECUTION OF THE LITIGATION AND TITLE DISPUTE SETTLEMENT AGREEMENT REGARDING LANDS IN THE WILMINGTON DISTRICT OF THE CITY OF LOS ANGELES, CALIFORNIA, AMONG THE CITY OF LOS ANGELES, STATE OF CALIFORNIA, UNION PACIFIC LANDS RESOURCES CORPORATION AND CHAMPLIN PETROLEUM COMPANY, A COPY OF WHICH AGREEMENT IS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY THIS REFERENCE MADE A PART HEREOF AS IF SET FORTH FULLY.
4. FIND AND DECLARE THAT:
 - A. THOSE LANDS DESCRIBED IN ANNEX I OF EXHIBIT I TO THAT SETTLEMENT AGREEMENT HAVE BEEN IMPROVED, FILLED, RECLAIMED AND EXCLUDED FROM THE PUBLIC NAVIGATIONAL CHANNELS; ARE NO LONGER AVAILABLE, USEFUL OR SUSCEPTIBLE OF BEING USED FOR NAVIGATION, FISHING OR OTHER TRUST PURPOSES; ARE NO LONGER IN FACT TIDELANDS OR SUBMERGED LANDS; AND THEREFORE, IN FURTHERANCE OF A PUBLIC PROGRAM OF HARBOR DEVELOPMENT, UPON THE DELIVERY AND RECORDATION OF THE PATENT REFERRED TO IN PARAGRAPH 5, SHALL BE FREED FROM THE PUBLIC TRUST;
 - B. THOSE RIGHTS AND INTERESTS EXCEPTED AND RESERVED IN PARAGRAPHS A AND B OF SECTION 1.1 OF ARTICLE FIRST OF EXHIBIT J TO THAT SETTLEMENT AGREEMENT HAVE BEEN IMPROVED, RECLAIMED AND EXCLUDED FROM THE PUBLIC NAVIGATIONAL CHANNELS; SUCH RIGHTS AND INTERESTS ARE NO LONGER AVAILABLE, USEFUL OR SUSCEPTIBLE OF BEING USED FOR NAVIGATION, FISHING OR OTHER TRUST PURPOSES AND ARE NO LONGER IN FACT INTERESTS IN TIDELANDS OR SUBMERGED LANDS; AND THEREFORE,

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IN FURTHERANCE OF A PUBLIC PROGRAM OF HARBOR DEVELOPMENT, UPON THE DELIVERY AND RECORDATION OF THE PATENT REFERRED TO IN PARAGRAPH 5, SUCH RIGHTS AND INTERESTS SHALL BE FREED FROM THE PUBLIC TRUST.

5. AUTHORIZE THE EXECUTION AND ISSUANCE OF A STATE PATENT TO UNION PACIFIC AND CHAMPLIN AS TO THE LANDS AND INTERESTS REFERRED TO IN EXHIBIT 1, ANNEX 1 OF THE SETTLEMENT AGREEMENT PURSUANT TO THE TERMS AND CONDITIONS SPECIFIED THEREIN.
6. AUTHORIZE THE ACCEPTANCE AND RECORDATION OF THE CONVEYANCES TO THE STATE (AND CITY) BY UNION PACIFIC AND CHAMPLIN, AS PROVIDED IN THAT SETTLEMENT AGREEMENT.
7. FIND THAT THE ISSUANCE OF A MINERAL LEASE TO UNION PACIFIC AND CHAMPLIN BY THE CITY IN ACCORDANCE WITH THAT SETTLEMENT AGREEMENT IS PROPER AND APPROPRIATE; THAT IT IS EXEMPT FROM THE PROCEDURES REQUIRED BY SECTIONS 7058.5 and 7059 OF THE PUBLIC RESOURCES CODE BECAUSE ADHERING TO THOSE PROCEDURES WOULD BE IMPRACTICAL BY REASON OF THE RELATIVELY SMALL SIZE OF THE PARCEL TO BE LEASED; AND THAT ENTERING INTO THAT LEASE AND ITS PERFORMANCE IS IN THE PUBLIC INTEREST AND WILL NOT IMPAIR THE PUBLIC TRUST IN THE CITY'S REMAINING GRANTED LANDS; AND, APPROVE THE ISSUANCE OF THE MINERAL LEASE AS CONSISTENT WITH THE TERMS OF THE TRUST GRANT TO THE CITY.
8. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS PROJECT BY THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY PORT OF LOS ANGELES, ON SEPTEMBER 23, 1977.
9. CERTIFY THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE NEGATIVE DECLARATION.
10. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
11. FIND THAT GRANTING OF THE PERMIT WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1 OF THE P.R.C.
12. FIND THAT THE SETTLEMENT AGREEMENT AND THE SUBJECT TRANSACTION ARE EXEMPT FROM THE CALIFORNIA COASTAL ACT AND THE SUBDIVISION MAP ACT.

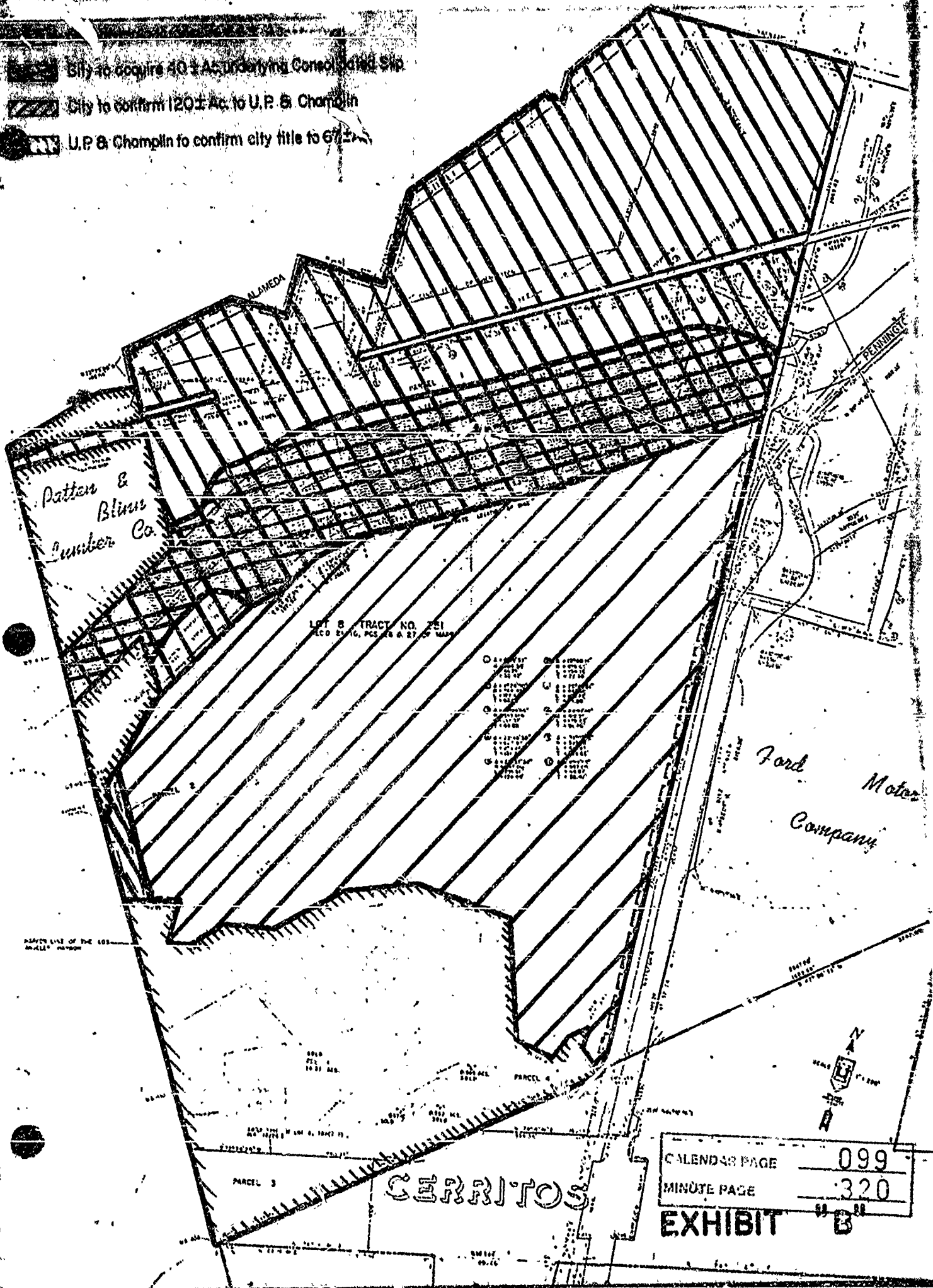
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13. AUTHORIZE THE STAFF OF THE COMMISSION AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ANY AND ALL FURTHER STEPS NECESSARY TO IMPLEMENT THE FOREGOING TRANSACTION, INCLUDING BUT NOT LIMITED TO EXECUTION OF DOCUMENTS AND APPEARANCES IN ANY LEGAL PROCEEDINGS CONCERNING THAT TRANSACTION.

City to acquire 40 ± Ac. underlying Consolidated Slip

City to confirm 120 ± Ac. to U.P. & Champlin

U.P. & Champlin to confirm city title to 67 ± Ac.



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EXHIBIT "B"

EXHIBIT "C"

CITY OF LOS ANGELES
CALIFORNIA ENVIRONMENTAL QUALITY ACT 1970

DEQ Use

NEGATIVE DECLARATION
(Article 7, No. 4 City EIR Guidelines)Council District 15th Date September 23, 1977Lead City Agency Los Angeles Harbor DepartmentProject Title/No. Con Dock Land & Consolidated Slip AcquisitionProject Location Berth 200 and Backland South-easterly of Anaheim Street between
Henry Ford Avenue and Berth 200-A.Project Description Acquisition of the property and continuation of the existing and
historical use of this property. Existing tenants on the property include (See Attached
Sheet.)

Name of Applicant if other than City Agency _____

The Environmental Analysis Office of the Los Angeles Harbor Dept. of the City of Los Angeles has determined that this project will not have a significant effect on the environment for the following reasons: The present occupants of the property are in compliance with applicable air and water quality standards. Acquisition of the property by Los Angeles Harbor Department will not result in any substantial adverse change in the environment.

(use additional sheet if necessary)

Initial Study prepared by Donald W. Rice

DONALD W. RICE

Copy may be obtained from Environmental Analysis, L.A. Harbor Department, Room 601
255 W. Fifth Street, P. O. Box 151, San Pedro, CA 90733

ENVIRONMENTAL ANALYSIS OFFICE

Los Angeles Harbor Department

P. O. Box 151
San Pedro, California 90733

Signed _____

SECRETARY TO THE BOARD OF
HARBOR COMMISSIONERS

Title _____

Date _____

Name of person preparing this form W. CALVIN HURST

Title _____

Harbor Environmental Scientist

ND H00277

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SCOPE & DESCRIPTION OF PROJECT (CONTINUED)

Tenant

Land Use

- | | |
|--------------------------------------|--|
| 1. Browning Ferris Chemical Division | office, garage, storage |
| 2. Summit Wood Products | office & lumber storage |
| 3. Chozen Trucking | office, truck parking, lumber storage |
| 4. Champlin Petroleum | office, shops, truck repair, laboratory,
oil extraction |
| 5. Tidewater Marine Service | mooring of vessels |
| 6. D.C. Marine Inc. | mooring of vessels |
| 7. Ocean Drilling Exploration Co. | outside storage |
| 8. Albert Perel & Leonard J. Doyle | Leeward Bay Marina |
| 9. R.W. Rollins Jr. | Island yacht anchorage #2 |

DWR:crp

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