

MINUTE ITEM

This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission by a vote of 2
to 0 at its 2/25/82
meeting.

CALENDAR ITEM

28

2/25/82
WP 4688
Horn
Grimes
PRC 6127

LEASE TERMINATION (PRC 4688.1),
A SOVEREIGN LANDS EXCHANGE,
ISSUANCE OF NEW GENERAL LEASE - COMMERCIAL USE
AND AMENDMENT OF LEASE PRC 4689.1

Anza Shareholders' Liquidating Trust has applied to the Commission to exchange Anza interests in lands at Anza Airport Park in Burlingame, San Mateo County with the Commission.

Staff has prepared a report on the history of the property in question; the details of the exchange agreement, a new lease of lands to be acquired by the State as a result of the exchange together with reasoning as to why the exchange meets statutory and case law requirements, and why the exchange is in the State's best interest. The report is on file in the principal office of the Commission and by reference is made a part of this agenda item. Copies of the report have been supplied to the Commissioners in support of this item, and are available to any interested persons upon request.

Staff is recommending that the Commission approve the exchange and related agreements.

This transaction is exempt from the requirements of CEQA pursuant to 14 Cal. Adm. Code Section 15115, which covers minor diversions of land.

AB 884: N/A.

EXHIBIT: A. Staff Report.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE PROPOSED EXCHANGE AGREEMENT AND ANCILLARY OPTION AGREEMENTS AND LEASE TO ROBERT OWEN DEVELOPMENT COMPANY AND LEASE TERMINATION AND AMENDMENT ARE CATEGORICALLY EXEMPT UNDER CEQA PURSUANT TO PRC 21084 AND 14 CAL. ADM. CODE 15100 ET SEQ.
2. TERMINATE LEASE PRC 4688.1 EFFECTIVE UPON RECORDATION OF THE EXCHANGE AGREEMENT AND AUTHORIZ' ACCEPTANCE OF A QUITCLAIM DEED THEREFOR.

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CALENDAR ITEM NO. 28 (CONTD)

3. DETERMINE, PURSUANT TO AND IN ACCORDANCE WITH SECTION 6307 OF THE P.R.C. THAT THE SUBJECT EXCHANGE OF STATE AND PRIVATE TITLES IS IN THE BEST INTERESTS OF THE STATE. THE STATE'S LAND (BEING A PORTION OF PARCEL 10 - PRC 4688.1) HAS BEEN FILLED AND RECLAIMED AND HAS THEREBY BEEN EXCLUDED FROM THE PUBLIC CHANNELS AND IS NO LONGER AVAILABLE OR USEFUL OR SUSCEPTIBLE OF BEING USED FOR COMMERCE, NAVIGATION AND FISHING. THE PARCEL IS NO LONGER, IN FACT, TIDELANDS OR SUBMERGED LANDS AND UPON RECORDATION OF THE STATE'S CONVEYANCE PURSUANT TO THE SUBJECT EXCHANGE AGREEMENT SHALL BE FREE FROM THE PUBLIC TRUST FOR COMMERCE, NAVIGATION AND FISHERIES.
4. FURTHER DETERMINE THAT THE SUBJECT EXCHANGE PARCEL IS VALUELES; FOR TRUST PURPOSES, CONSTITUTES A RELATIVELY SMALL PARCEL OF THE TOTAL AREA INVOLVED IN THE VICINITY AND THAT THE STATE WILL BE RECEIVING LAND AREA EQUAL TO WHAT IT IS GIVING UP.
5. FIND AND DETERMINE THAT THE VALUE OF THE PRIVATE INTERESTS IT IS RECEIVING PURSUANT TO THE EXCHANGE IS EQUAL TO OR GREATER THAN THE VALUE OF THE STATE'S INTEREST BEING GIVEN UP.
6. AUTHORIZE EXECUTION ON BEHALF OF THE STATE OF CALIFORNIA, ACTING BY AND THROUGH THE STATE LANDS COMMISSION, OF THE PROPOSED EXCHANGE AGREEMENT AND OPTION AGREEMENTS IN SUBSTANTIALLY THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION AND ANY OTHER APPROPRIATE TITLE DOCUMENTS, AND DELIVERY OF SAID DOCUMENTS INTO ESCROW FOR RECORDATION IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN MATEO.
7. AUTHORIZE ISSUANCE TO ROBERT OWEN DEVELOPMENT COMPANY OF A 49-YEAR GENERAL LEASE - COMMERCIAL USE FROM JULY 1, 1982; IN CONSIDERATION OF ANNUAL RENTAL OF \$1,000 (AS THEREAFTER MODIFIED IN THE LEASE); FOR SUCH USES AS ARE ALLOWED BY LOCAL GOVERNMENT AND THE BAY COMMISSION; IN SUBSTANTIALLY THE FORM ON FILE WITH THE PRINCIPAL OFFICE OF THE COMMISSION.
8. AUTHORIZE AMENDMENT OF LEASE PRC 4689.1 BY ADDING A NEW PARCEL OF LAND; EFFECTIVE UPON RECORDATION OF THE EXCHANGE AGREEMENT.
9. WAIVE RENTAL ON LEASES PRC 4684.1 AND PRC 4686.1 FOR THE ONE-YEAR OPTION PERIOD PROVIDED FOR IN THE EXCHANGE AGREEMENT.

CALENDAR ITEM NO. 28 (CONTD)

10. FIND THAT, PURSUANT TO PRC 6219, THE SERVICE STATION SITE AND 2.3-ACRE STRIP HAVE BEEN EXAMINED FOR SIGNIFICANT ENVIRONMENTAL VALUES AND THAT BASED UPON A STAFF REPORT ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION AND BY THIS REFERENCE INCORPORATED HEREIN:

*A. THE SERVICE STATION SITE: CONTAINS NO SIGNIFICANT ENVIRONMENTAL CHARACTERISTICS.

*B. THE 2.3-ACRE STRIP: CONTAINS NO SIGNIFICANT ENVIRONMENTAL CHARACTERISTICS.

11. AUTHORIZE STAFF AND/OR THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ALL STEPS AS MAY BE NECESSARY AND APPROPRIATE TO EFFECTUATE THE PROPOSED EXCHANGE AGREEMENT INCLUDING PARTICIPATION IN ANY LEGAL PROCEEDINGS AFFECTING THE AGREEMENT.

* COMPLETED 2/4/82.

EXHIBIT A

STAFF REPORT

2/25/82
WP 4688
Horn

SOVEREIGN LAND EXCHANGE - STATE LANDS COMMISSION
AND ANZA SHAREHOLDER'S LIQUIDATING TRUST

BACKGROUND: In 1969, the State Lands Commission and the Attorney General became aware of filling and reclamation activity in a 146-acre parcel in the City of Burlingame about two miles south of San Francisco International Airport. The State took action to halt the filling operations and began negotiations with the the purported owner Anza Pacific Corporation to perfect State and private titles within the 146-acre parcel.

In the course of the development Anza had successfully petitioned the Burlingame City Council for the formation of Reclamation District 2097. The Reclamation District had issued bonds in the amount of \$1,964,000 with retirement due in 1983. Two other series of bonds had been authorized and substantially issued. The first was \$1,207,627 of 1915 improvement bonds. An additional \$94,500 was outstanding in 1911 improvement bonds. All bonds are scheduled for full retirement by 1988. In addition to the bonds trust deeds in the amount of \$2,910,000 existed against the property.

As part of the overall settlement, Anza and its title insurer, Transamerica Title Company agreed to take full responsibility to guarantee the retirement of all bonded indebtedness and trust deeds all of which constituted liens against the property. In addition to the agreement to retire the bonded indebtedness and trust deed liens, the State gained clear title to 46 acres within the 146-acre site. Anza was required to dedicate a 25-foot wide strip around the perimeter of the 146-acre site for public use. Anza was also required, at its sole expense, to create a 12-acre

Lagoon, within the property that passed to the State. Anza and the County of San Mateo also established a small fishing park on the southeasterly corner of the area. A dedicated roadway traversing the State's parcels was also vacated by the agreement.

The Agreement (BLA 131) approved by the Commission on July 6, 1972 (Minute Item 26) which accomplished all of the above also created 12 leases which the State issued to Anza. The 12 leases covered some road areas, the 12-acre lagoon and several commercially developable sites. Initial rental under the leases was \$18,626 until 1988. Thereafter the State is scheduled to begin sharing in a percentage of net cash flow.

One of the States leases, PRC 4688.1, is the major subject of this report. The parcel is approximately 8.48 acres in size with about 3.35 acres being a portion of the 12 acre lagoon. The remaining 5.13 acres is available for development; however, it is subject to the Bay Commission's 100-foot shoreline jurisdiction.

In 1975, Anza's management elected to set up a liquidating trust for the purpose of winding up its business affairs. It requested and received an assignment of its leases to Anza Shareholders' Liquidating Trust in 1976. As part of its trust responsibilities Anza has periodically requested Commission approval to assign or sublease its interest in the various Leases. It is partly because of its activities under the trust that the current situation has given rise to the proposed exchange.

Anza has been developing its own land and selling or subleasing the State's parcels without benefit of a specific plan of development. Although BLA 131 contained a Master Plan of Development for the area, it was not definitive as to prospective uses, densities and access as would be required in specific plans. Without a specific plan the lands (both State and Anza) at the site have been developed somewhat haphazardly. Office buildings, some restaurants and hotels now take up most of the land area.

Intense development of lands sold by Anza has led to a call for approval of a Master Plan of Development by the San Francisco Bay Conservation and Development Commission (BCDC), prior to the approval of any new permits for development along the shoreline. As a result of this moratorium the staff has been pursuing the development of guidelines that will ultimately govern the type of development permitted on the site.

In furtherance of getting approval for appropriate development and access guidelines staff has retained Peter Callendar Associates (Landscape Architects). The landscape architect and Robert Blunk (Architect) have been developing access proposals that have finally been approved by the Bay Commission. The proposals set forth basic building footprints together with general types of use and the access features. The development proposal and access guidelines also include a parcel of Anza lands that is not subject to Bay Commission jurisdiction (The Service Station Site).

Current Situation:

In order to effectively manage and develop to full potential the State's lands in this area staff, at the request of Anza, has been pursuing the possibility of a land exchange. The basic elements of the current proposal are:

1. State will free from the trust and convey to Anza the five original lots (4, 5, 6, 7, and 8) of block 6, of Anza Airport Park (Unit 6) now comprising a portion of State Lease Parcel No. 10 (PRC 4688.1). This site consists of approximately 3.7 acres. The remainder of parcel 10 will be added to adjacent State Lease Parcel No. 11 (PRC 4689.1).
2. Anza will deed to State a former service station site adjacent to State lease parcels 7 and 8 (P.R.C.'s 4685.1 and 4686.1). The site consists of approximately 1.33 acres.
3. Anza will acquire and deed to State an approximately 2.3-acre strip along Sanchez Creek Lagoon and Bayfront

Channel. The approximately 50-foot wide strip is currently owned by Bob Owen Development Company.

4. State will lease back the 2.3-acre strip to Bob Owen Development Company for \$1,000 per annum with adjustments in 1988 and 2007. Said lands will be used for landscaping, public access, parking or other such uses as allowed by the Bay Commission.
5. Anza will grant the State a one-year option to acquire Anza's leasehold interest in State Lease Parcel No. 6 (PRC 4684.1) for \$125,000. If, at the end of the option period, State has not exercised its option, Anza will forgive the option price and convey the leasehold to the State. If Anza conveys the leasehold on Parcel No. 6 to the State without receiving its \$125,000 option price, the State agrees to amend its lease with Bob Owen Company to reduce the annual rental to \$500 for the duration of the lease term.
6. Anza will grant the State an option for one-year to purchase Anza's leasehold on State parcel 8 (PRC 4686.1) for \$6.50 per square foot of land area.
7. State will abate rental on lease parcels 6 (PRC 4684.1 - \$12,500 per year) and 8 (PRC 4686.1 - \$1,250 per year) during the option period.

Staff has reviewed the proposal and finds that the essential elements of statutory and case law exist to recommend approval of the exchange. The basic requirements for the exchange under Section 6307 of the P.R.C. include:

1. Equal Value: Title to be received by the State must be of a value equal or greater than the value of the State's title in the parcel being given up in the exchange.

Staff has reviewed Anza's estimates of value for the various leaseholds, leased fees and fee lands for the proposed exchange. In addition, staff made its own appraisal of the parcels and interests and finds that the State will be receiving value

in excess of what is being released. State Parcel 10 (PRC 4688.1) (State to Anza) - value of State's leased fee (3.7 acres) at \$4.62 per square foot of land area: \$744,000

Service Station Site (Anza to State)(1.33 acres) at \$9.62 per square foot of land area: \$558,000

Anza's leasehold interest in State's lease parcel 6 (PRC 4684.1) (Anza to State) (2.16 acres) at \$3.40 per square foot of land area Less option price of \$125,000. \$195,000
\$753,000

OR

If the State does not exercise its option and obtains the leasehold on parcel 6, it will forego future rents on the lease for the 2.3-acre strip which has a present value of \$56,000. \$320,000 - (P.V. of future rents \$56,000) plus \$558,000 equals: \$822,000

As can be seen above in either case the State will be receiving value in excess of what it is giving up. This does not include the value of the 2.3-acre strip. In addition, the State will be receiving equal land area in this proposal, thereby preserving the trust's aggregate land area.

2. Mineral Rights: State will be reserving the mineral interest in the 3.7-acre parcel to be freed from the trust and conveyed to Anza. It will however, be receiving the mineral interest in the 2.3-acre strip which will be leased to Bob Owen Company.
3. Benefits: The exchange must be for the purpose of improvement of navigation, or aid in reclamation, or flood control protection, or to enhance the shoreline configuration for improvement of the water and upland. In releasing the five original lots from the trust, the State will still maintain a large land area around the lagoon. The State will also be receiving a strip of land approximately 1,700 lineal feet along Sanchez Creek Lagoon and Bayfront Channel. Adding this land along the waterway will be of significant benefit to the trust and certainly meets the benefit criteria set forth above.

4. Public Trust Termination: The land to be given up can only be freed of the public trust on a finding by the Commission that:
- a. The parcel has been improved, filled and reclaimed, and
 - b. The parcel has thereby been excluded from the public channels, and
 - c. The parcel is no longer available or useful or susceptible of being used for navigation and fishing, and
 - d. The parcel is no longer tidelands or submerged land.

All of the above have been met.

5. Public Access: The access provisions of California Constitution, Article 10, Section 4, P.R.C. Section 6210.4 and other applicable provisions of statutory and case will be maintained and enhanced as a result of this transaction. The public will own a strip approximately 1,700 lineal feet along the waterway. In releasing the five parcels, there will still continue access along the 12-acre lagoon.
6. Best Interests of the State: Staff believes the ability of the State to develop its parcels consistent with the Bay Plan, providing maximum feasible public access and with visitor - serving uses is enhanced with the proposed exchange. This, together with the benefits set forth in the items above, leads staff to the conclusion that the exchange is in the best interests of the State.
7. Staff also believes that the additional requirements for an exchange as set forth in Orange County v. Heim 30 CA 3rd, 694 (1973) are met in the proposal at hand. These requirements include:

- a. The lands cease to be tidelands are valueless for trust purposes, freed from the trust, reclaimed, and they constitute a relatively small parcel of the total acreage involved.

Most of the State's land at Anza Airport Park is unique in that it is filled, zoned waterfront commercial and though leased to the Anza Liquidating Trust has relatively high value and development potential. In order to help develop the site to its maximum economic potential consistent with local zoning and the access requirements of the Bay Plan, staff believes that the proposed exchange is highly beneficial.

The five lots in parcel 10 to be freed from the trust and conveyed to Anza were once used as a Skateboard Park. Later the Skateboard Park was demolished and the parcel was to be subleased to Culver Construction Company for a proposed 300-room hotel. The Culver project encountered severe problems in obtaining all necessary State and local permits and eventually the project was abandoned.

Inasmuch as there has been some difficulty in developing State lease parcel 10, Anza has proposed that the State exchange a portion of parcel 10 for its former service station site together with the other land and interests already described. By acquiring the service station site, the State will have a single larger parcel that would be easier to develop as a single economic unit. The aggregate land area of the three State lease sites (6, 7, 8) together with the service station site is 8.79 acres. The site maps attached depict the new parcel and the State's leased parcels.

Although the State will be receiving two parcels not burdened with leaseholds through this transaction it still will have two parcels leased to Anza Shareholder's Liquidating Trust. The ultimate development of the site will be hampered by the existence of these leaseholds; however, staff is confident that agreements can be reached with potential developers to buy out the existing leaseholds.

In the end, the State will benefit by having received market rents for some valuable public lands. The public will benefit by having greater access to the shoreline and visitor serving uses, such as restaurants and shops to accommodate them.

Of course, any future development of the sites will be subject to CEQA and the State EIR Guidelines as well as the Commission's environmental regulations. The instant exchange proposal is exempt from the preparation of environmental documents under CEQA and under 14 Cal. Adm. Code 15115; which covers minor divisions of land.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE PROPOSED EXCHANGE AGREEMENT AND ANCILLARY OPTION AGREEMENTS AND LEASE TO ROBERT OWEN DEVELOPMENT COMPANY AND LEASE TERMINATION AND AMENDMENT ARE CATEGORICALLY EXEMPT UNDER CEQA PURSUANT TO PRC 21084 AND 14 CAL. ADM. CODE 15100 ET SEQ.
2. TERMINATE LEASE PRC 4688.1 EFFECTIVE UPON RECORDATION OF THE EXCHANGE AGREEMENT AND AUTHORIZE ACCEPTANCE OF A QUITCLAIM DEED THEREFORE.

3. DETERMINE, PURSUANT TO AND IN ACCORDANCE WITH SECTION 6307 OF THE PUBLIC RESOURCES CODE THAT THE SUBJECT EXCHANGE OF STATE AND PRIVATE TITLES IS IN THE BEST INTERESTS OF THE STATE. THE STATE'S LAND (BEING A PORTION OF PARCEL 10 - PRC 4688.1) HAS BEEN FILLED AND RECLAIMED AND HAS THEREBY BEEN EXCLUDED FROM THE PUBLIC CHANNELS AND IS NO LONGER AVAILABLE OR USEFUL OR SUSCEPTIBLE OF BEING USED FOR COMMERCE, NAVIGATION AND FISHING. THE PARCEL IS NO LONGER, IN FACT, TIDELANDS OR SUBMERGED LANDS AND UPON RECORDATION OF THE STATE'S CONVEYANCE PURSUANT TO THE SUBJECT EXCHANGE AGREEMENT SHALL BE FREE FROM THE PUBLIC TRUST FOR COMMERCE, NAVIGATION AND FISHERIES.
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9. WAIVE RENTAL ON LEASES PRC 4684.1 AND 4686.1 FOR THE ONE-YEAR OPTION PERIOD PROVIDED IN THE EXCHANGE AGREEMENT.
10. FIND THAT, PURSUANT TO PRC 6219, THE SERVICE STATION SITE AND 2.3-ACRE STRIP HAVE BEEN EXAMINED FOR SIGNIFICANT ENVIRONMENTAL VALUES AND THAT BASED UPON A STAFF REPORT ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION AND BY THIS REFERENCE MADE A PART HEREOF:

- A. THE SERVICE STATION SITE: CONTAINS NO SIGNIFICANT ENVIRONMENTAL CHARACTERISTICS.
 - B. THE 2.3-ACRE STRIP: CONTAINS NO SIGNIFICANT ENVIRONMENTAL CHARACTERISTICS.
11. AUTHORIZE STAFF AND/OR THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ALL STEPS AS MAY BE NECESSARY AND APPROPRIATE TO EFFECTUATE THE PROPOSED EXCHANGE AGREEMENT INCLUDING PARTICIPATION IN ANY LEGAL PROCEEDINGS AFFECTING THE AGREEMENT.

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