

MINUTE ITEM
This Calendar Item No. 20
was approved as Minute Item
No. 20 by the State Lands
Commission by a vote of 5
to 0 at its 12/23/88
meeting.

CALENDAR ITEM

20

12/23/88
PRC 5928
Fong

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**AUTHORIZE EXECUTION OF A SUPPLEMENTARY
LETTER OF UNDERSTANDING (LEASE AMENDMENT)**

APPLICANT: Mel Wolf
2755 Spokane Way
Carlsbad, California 92008

AREA, TYPE LAND AND LOCATION:
A 640-acre parcel of school land, located near
Twenty-Nine Palms in San Bernardino County.

LAND USE: Experimental Jojoba cultivation.

TERMS OF ORIGINAL LEASE:
Initial period: 25 years beginning November 1,
1980.

Public liability insurance: Combined single
limit coverage of \$300,000

Consideration: \$550 per annum, ~~five~~ year
rent review.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Adm. Code: Title 2, Div. 3; Title
Div. 6.

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of
authority and the State CEQA Guidelines
(14 Cal. Adm. Code 15061), the staff has
determined that this activity is exempt.

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from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

BACKGROUND:

On December 16, 1980, in response to the Governor's policy to develop energy crops in California, the Commission approved an Experimental Agricultural Lease for Jojoba cultivation on 640 acres of school land. Due to the experimental nature of jojoba cultivation as an agricultural crop, the lessee decided to plant 120 acres a year for four years. This allowed the lessee to evaluate techniques and methods developed for jojoba and apply the successful ones to subsequent plantings.

Since it was anticipated that a commercially harvestable crop would not occur until five years into the lease, a rental structure was adopted whereby the annual rental would be \$550 for the first five years. Thereafter the rental would be set by a formula based on the market value of the raw land and the amount of land disturbed by the lessee.

On September 26, 1985, the Commission approved the setting of a new rental schedule for the next five years. The existing rental of \$550 per annum was changed to \$4905 for the sixth and seventh year, \$9,225 for the eighth year, \$13,545 for the ninth year, and \$22,185 for the tenth year.

CURRENT SITUATION:

Due to unexpected delays and other setbacks, the first commercial harvest was delayed until 1986. As the 1986 crop developed it became apparent that earlier frost damage reduced the expected yield to the point where it would not be cost effective to harvest.

Due to the economic hardship resulting from the increased rental which would have been offset by revenue generated from the first crop, the lessee has requested that the rental be temporarily reduced to \$550 (the amount he paid for the first five years of the lease) for the period of November 1, 1986 to October 31, 1987.

The lessee has paid his rents promptly in the past and has proceeded in a responsible manner in his use of the lease premises. Also the lessee has made a substantial capital investment on this project - the improvements alone will enhance the value of the State's parcel.

Therefore due to the experimental nature of this project, the Commissions expressed policy to develop the income generating potential of school lands, and the good faith evidenced by the lessee's capital investment, Staff recommends that a Supplementary Letter of Understanding (Lease Amendment) be executed providing that the lease rental for the period November 1, 1986 to October 31, 1987 be reduced to \$550. The lessee understands that as of November 1, 1987, the rent will return to the schedule as agreed upon and as approved by the Commission on September 26, 1985. All other terms and conditions of Lease PRC 5928 will remain unchanged.

EXHIBITS:

- A. Land Description.
- B. Location Map.
- C. Supplementary Letter of Understanding.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE EXECUTION OF A SUPPLEMENTARY LETTER OF UNDERSTANDING (LEASE AMENDMENT) AS SHOWN IN EXHIBIT "C"; ALL OTHER TERMS AND CONDITIONS OF LEASE PRC 5928 REMAIN UNCHANGED.

EXHIBIT "A"

LAND DESCRIPTION

PRC 5928.2

**A parcel of California State school lands in San Bernardino
County, California, described as follows:**

Section 15, T1N, R10E, S8W

END OF DESCRIPTION

REVIEWED NOVEMBER 19, 1986, BY BOUNDARY SERVICES UNIT, M. L. SUPERVISOR.

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EXHIBIT "C"

STATE OF CALIFORNIA
STATE LANDS COMMISSION

LEASE NO. PRC 5928.2, PUBLIC RESOURCES CODE SERIES
SUPPLEMENTARY LETTER OF UNDERSTANDING

This letter shall be deemed a part of said Lease as if fully set forth therein, effective upon execution on behalf of the State Lands Commission of the State of California.

Notwithstanding the Special Provisions contained in Section 2 of PRC 5928.2, dated December 8, 1981, the annual rental, for the Lease year October 1, 1986 - September 30, 1987, shall be \$550.00. The annual rental on October 1, 1987 and every October 1st thereafter, shall be in accordance with the Special Provisions contained in Section 2, of PRC 5928.2. All other terms and conditions of PRC 5928.2 remain unchanged.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By _____

MEL WOLF

Title _____

Date _____

Date _____

ACKNOWLEDGEMENT

Execution of this letter was
authorized by the State Lands
Commission on _____