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SPECIAL MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 1145
SACRAMENTO, CALIFORNIA

ORIGINAL

FRIDAY, OCTOBER 8, 1982
9:05 A.M.

EVELYN DUGGAN MIZAK
Shorthand Reporter

COMMISSIONERS PRESENT

1
2 Kenneth Cory, Chairperson, Controller
3 David Ackerman, representing Lt. Governor Mike Gurb

COMMISSIONERS ABSENT

4
5
6 Susannè Morgan, representing Director of Finance
7 Mary Ann Graves

STAFF PRESENT

8
9 Claire Dadrick, Executive Officer
10 James Trout, Assistant Executive Officer

11 Bob Hight, Esq.
12 Chief Counsel

13 Jack Rump, Esq.,
14 Assistant Chief Counsel

15 Curtis Fossum, Esq.
16 Staff Counsel

17 Greg Taylor, Esq.
18 Assistant Attorney General

19 Lance Kiley,
20 Chief, Land Management

ALSO PRESENT

21 Henry Pollard, Esq.
22 Pollard, Bauman & Slome, representing
Wrather Port Properties

23 Barna Szabo
24 Wrather Port Properties
25

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Proceedings

1

Call to Order

1

Item from Executive Session re
Allegations Submitted by
Pioneer Chicken, aka Cat Mar
Corporation

2

Special Agenda Item: Agreement
between City of Long Beach, Harbor
Department, and Wrather Corporation

4

Adjournment

11

Certificate of Shorthand Reporter

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1 meeting, which I believe is October the 28th, 1982.

2 I believe that accurately reflects your actions.

3 CHAIRPERSON CORY: And that in terms of the time
4 frame at this point, how much time will be required, the
5 minimum time after the 28th to have bids submitted?

6 EXECUTIVE OFFICER BEDRICK: I think it kind of
7 depends on what we find in the investigation, Mr. Cory.

8 It shouldn't be extremely long, I shouldn't think. I
9 mean, all you've got to do is recalibrate numbers.

10 COMMISSIONER ACKERMAN: Whatever, I think the
11 staff has indicated they need a minimum of 30 days, though,
12 in which to review the bid packages and make a recommenda-
13 tion to us for us to take an action. Probably start at the
14 tail end of this process and work forward.

15 When was our final meeting scheduled?

16 MR. RUMP: December 16th.

17 COMMISSIONER ACKERMAN: So you probably would have
18 to have it by, what, early November, have bid packages
19 received so the staff would have time to review them, if
20 that's the process we want to proceed with. That's if
21 you want to make a decision between November and January.

22 CHAIRPERSON CORY: It seems to me we ought to
23 get this thing behind us, get it cleared up, the allegations
24 that were made. I'm just uneasy about having the allegations
25 made and not having it dealt with.

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1 EXECUTIVE OFFICER DEDRICK: I have one question
2 I'd like to ask Mr. Taylor for clarification.

3 The bidders are bringing in their packages at
4 2:00 o'clock today. What do we do with them? Give them
5 back to them?

6 MR. TAYLOR: Give them back to them.

7 COMMISSIONER ACKERMAN: Don't accept them.

8 MR. TAYLOR: No one has exposed their hand, and
9 depending on the results of the investigation, it may be
10 necessary, if the number of existing buoys is greater than
11 that shown presently, it can be adjusted and they should
12 make a correction in their bids.

13 On the other hand, I guess it's also possible
14 that they may find fewer buoys, and that might have an
15 economic effect on their bids, and that should be received.

16 CHAIRPERSON CORY: The staff can do that?

17 EXECUTIVE OFFICER DEDRICK: Yes.

18 CHAIRPERSON CORY: So we'll be able to tell on
19 the 28th, and we're talking about within five to seven days
20 after that 28th, they're to have the bids in?

21 EXECUTIVE OFFICER DEDRICK: Yes, I would think
22 that is a good time frame.

23 CHAIRPERSON CORY: That's fine.

24 All right, the item before us is the Special
25 Agenda which is dealing with the proposed agreement between

1 the City of Long Beach, an agreement reached by the Harbor
2 Department and the Weather Corporation with respect to the
3 Queen Mary.

4 EXECUTIVE OFFICER DEDRICK: That's correct.
5 Essentially, the proposal the Harbor Commission has
6 approved amends to the lease, which among other things
7 extend a variety of options to terminate in December of
8 '88 or '89. It gives about a year more on most of the
9 provisions.

10 I think you should have legal staff run through
11 these with you to be sure we have everything.

12 Greg, would you go through the provisions.

13 MR. TAYLOR: The provisions are outlined on
14 pages 2 and 3 of the Calendar, pages 2, 3, 4, and 5 of the
15 Calendar Item.

16 They include an extension of the period of time
17 in which Wrather has to elect to use part of the -- no the
18 first one is for the City. It extends the time in which the
19 City has an election to use part of the option area for some
20 development. That extends that to 1989 from 1982.

21 The second one is an extension of the option to
22 lease, which is held by Wrather, and that extends that
23 period of time until 1988. Presently it would expire in 1985.
24 Early termination of the lease by Wrather is extended from
25 1986 to 1989.

1 The option to purchase the Queen Mary asset is
2 extended from January 1st of '86, is extended to December
3 31st of 1989.

4 There's an extension of time for repayment of
5 energy cost credits and retention of certain percentage of
6 improvements that were paid to spread the time out for
7 repayment from six to seven years, or from a minimum of
8 6 to 16 years and 7 to 17 years, adding a year to the
9 period of time in which those costs would have to be paid
10 back.

11 There's a new provision to the lease which provides
12 for rental deferment through 1988, or until after Wrather
13 receives rent or other income from the option area
14 development.

15 There's also a provision that a credit may be
16 allowed against the deferred rent for expenditures for
17 planning, environmental studies, permit applications, and
18 processing economic and legal analyses, engineering designs,
19 project management and other matters relating to Wrather's
20 plan of development of the area outside the actual ship and
21 the option area.

22 It has been submitted by staff that this provision
23 can mean that over the period of time that it's effective,
24 the City is waiving, in effect, waiving \$7 million in rent
25 that it would have received under the present form of the

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1 lease.

2 The reason for this is an inducement to Wrather
3 to make the improvements in a speedy manner and to assist
4 them with any financial problems they may be having in
5 trying to keep up with the schedule. This is a business
6 judgment on behalf of the City, and will have to be a
7 business judgment on behalf of the Commission, whether you
8 care to approve that.

9 EXECUTIVE OFFICER DEBRICK: Greg, you left out
10 it does require a \$50,000 --

11 MR. TAYLOR: It does provide a \$50,000 annual
12 payment per year.

13 There is one question, Mr. Chairman, that came up
14 with regard to the definition of legal expenses which have
15 been raised with staff sometime late yesterday and this
16 morning.

17 We talked to Mr. McJunkin, at the Harbor Department,
18 and he stated that his understanding of legal analysis was
19 routine legal expenses, and was not intended to fund the
20 legal expenses with regard to any dispute the City and
21 Wrather, or the City and the State have with regard to
22 provisions of the lease, and that from their standpoint, their
23 understanding of the term "legal analysis" meant no routine
24 expenses incurred in getting permits and other things, but
25 did not include any dispute with the City of Long Beach.

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1 specifically its Harbor Department, and the State Lands
2 Commission over the lease provisions.

3 CHAIRPERSON CORY: Is that Wrather's understanding
4 of that as well?

5 MR. POLLARD: I'm Henry Pollard, representing
6 Wrather.

7 We didn't discuss this in our negotiations with
8 the Port. Greg's suggestion is acceptable to us, but the
9 language I was just handed seems to me that it doesn't
10 limit the exclusion of legal expenses to matters involving
11 disputes.

12 I think this language may be broad enough to
13 exclude the types of legal expenditures that you said should
14 not be included; in other words, routine matters.

15 Perhaps the word "dispute", something that
16 states dispute, somehow should be added to the language that
17 you're inserting.

18 COMMISSIONER ACKERMAN: I'm wondering, since we're
19 dealing with a lease that has to be approved by more than
20 one agency, can this be handled, Greg, through a letter of
21 understanding?

22 MR. TAYLOR: That might be the best, and then
23 bring it back to the next Commission meeting for the
24 application.

25 CHAIRPERSON CORY: Well, if we go ahead and approve

1 it, subject to a satisfactory Letter of Understanding that
2 the attorneys can work out, and if, you know --

3 MR. TAYLOR: That would be fine.

4 CHAIRPERSON CORY: -- if you can't, then it'll
5 come back.

6 MR. POLLARD: Is it the Commission's sense that
7 this exclusion of legal expenses relating to qualifying
8 expenditures should be limited to legal expenses arising in
9 connection with dispute?

10 CHAIRPERSON CORY: Basically we don't want to have
11 you using a deferral of payment to the trustee to sue us.

12 MR. POLLARD: That's acceptable, and with that
13 understanding --

14 CHAIRPERSON CORY: I think that's what we're
15 talking about. To the extent you've got to be here today
16 for this hearing, if there was analysis connected to
17 present your side of it to the Commission, fine. But
18 if you want to go to court after that, you're on your own
19 meter.

20 MR. POLLARD: That is entirely acceptable.

21 CHAIRPERSON CORY: Is that not our position?

22 MR. HIGHT: Correct.

23 MR. TAYLOR: I'm trying to reflect your views,
24 the views that were expressed to me by staff the best I
25 can.

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COMMISSIONER ACKERMAN: Basically, credit should not be allowed to be used to finance legal expenses to sue the State or City.

MR. POLLARD: That would be acceptable. My only point was, I think this language may go a little farther than that.

CHAIRPERSON CORY: What I would like to do, then, if the other conditions are acceptable, is go ahead with the approval, subject to a Letter of Understanding from the staff. If there is no Letter of Understanding that each side can mutually sign, then it's got to come back to us. I'd like to avoid bringing people back here if we could.

EXECUTIVE OFFICER DEDRICK: That's clear.

CHAIRPERSON CORY: Any other details of this?

EXECUTIVE OFFICER DEDRICK: Yes, I think, Greg, you should discuss the implications of Paragraphs 10 and 11, which we are recommending the Commission not approve.

MR. TAYLOR: Mr. Chairman, Mr. Ackerman, there are two paragraphs that are not being approved at this time. Those are Paragraphs 10 and 11.

These are with regard to authorization of additional leases subject to many qualifications which are set forth in the Second Amendment. But both of these provisions raise legal questions which are going to be the

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1 discussion, be the subject of ongoing discussions and
2 analysis.

3 This matter will be brought back to the Commission
4 in an appropriate time within the next couple of months.

5 COMMISSIONER ACKERMAN: Let me suggest, rather
6 than not approve them, what if we delete them from
7 consideration? That way we haven't addressed them.

8 I'm not prepared to address them. I'm not prepared
9 to not approve them.

10 MR. TAYLOR: We're not negative on them.

11 COMMISSIONER ACKERMAN: Then can we just delete
12 those paragraphs?

13 MR. TAYLOR: We're just excepting them today.

14 EXECUTIVE DIRECTOR DEDRICK: I misspoke myself,
15 Commissioner. You're not taking any position at all.
16 You are neither accepting nor rejecting them.

17 You're just not considering them.

18 MR. TAYLOR: That's correct.

19 CHAIRPERSON CORY: The proposed decision that
20 the staff is recommending this morning is to exclude
21 consideration of Paragraphs 10 and 11?

22 EXECUTIVE OFFICER DEDRICK: Yes.

23 CHAIRPERSON CORY: Of the agreement pending
24 further analysis of legal issues involved?

25 EXECUTIVE OFFICER DEDRICK: That's correct.

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CHAIRPERSON CORY: That's Wrather's understanding?

MR. POLLARD: Yes, sir.

CHAIRPERSON CORY: That's acceptable?

MR. POLLARD: Yes, sir.

CHAIRPERSON CORY: All right, are there any other items?

EXECUTIVE OFFICER DEDRICK: That's it.

CHAIRPERSON CORY: Without objection, the proposed decision will be adopted with the adjustments that were made; 10 and 11 are excluded from consideration, and the question of legal analysis will be defined by a Letter of Understanding. If not, there is no approval and the thing will come back to us, and we can thrash it out.

All right. It's approved.

Any other things to come before us?

EXECUTIVE OFFICER DEDRICK: No.

(Thereupon this Special Meeting of the State Lands Commission was adjourned at approximately 9:20 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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I, EVELYN DUGGAN MIZAK, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing Special Meeting of the State Lands Commission was reported in shorthand by me, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of October, 1982.

Evelyn Duggan Mizak
EVELYN DUGGAN MIZAK
Shorthand Reporter

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