

PUBLIC HEARING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 113
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, DECEMBER 16, 1998

11:15 A.M.

JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
License No. 10063

APPEARANCES

COMMISSIONERS

Dr. Kathleen Connell, State Controller, Chair

Lieutenant Governor Gray Davis, represented by
Mr. Michael Flores

Mr. Craig L. Brown, Director of Finance, represented by
Mr. Robin Dezember

STAFF

Mr. Robert C. Hight, Executive Officer

Mr. Jack Rump, Chief Counsel

Mr. Blake D. Stevenson, Senior Counsel

Mr. Dave Plummer, Public Land Manager II

Mr. Paul Thayer, Legislative Liaison

Ms. Sharon Shaw, Administrative Assistant II

ALSO PRESENT

Mr. Richard M. Frank, Sr. Assistant Attorney General,
Land Law Section

Jesse Smith, San Francisco Deputy City Attorney

Bruce Spaulding, Vice-Chancellor, University of California,
San Francisco

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PROCEEDINGS

1
2 CHAIRPERSON CONNELL: Good morning. I apologize, I
3 just came from another board meeting. Back to back board
4 meetings.

5 I call the meeting to order and I believe all
6 representatives of the Commission are present. And the first
7 item of business will be the adoption of the minutes from our
8 last meeting. May I have a motion to approve the minutes?

9 ACTING COMMISSIONER DEZEMBER: Move approval.

10 ACTING COMMISSIONER FLORES: Second.

11 CHAIRPERSON CONNELL: It's a unanimous vote. The
12 next order of business will be the adoption of the consent
13 calendar. I call on our Executive Officer, Robert Hight to
14 indicate which items have been removed from the consent
15 calendar.

16 EXECUTIVE OFFICER HIGHT: Good morning, Madam Chair
17 and Commissioners. Items C-76, C-19, C-127, and C-75 have
18 been removed from the consent calendar and will be heard at a
19 later Commission date.

20 CHAIRPERSON CONNELL: Is there anyone in the
21 audience today that would like to speak to any item on the
22 consent calendar?

23 If not, we will proceed with the vote. May I have a
24 motion on the consent calendar.

25 ACTING COMMISSIONER DEZEMBER: I'll move approval.

1 ACTING COMMISSIONER FLORES: Second.

2 CHAIRPERSON CONNELL: All right. It's been
3 unanimously approved.

4 That will now take us to the regular calendar. And
5 Item 130 is the first item on the regular calendar and we
6 have discussed this previously at this Committee. And this
7 is an item that deals with the title to the properties of the
8 Catellus development project in the city and county of San
9 Francisco. And this is a project that is an agreement
10 concerning the expansion campus of the University of
11 California at San Francisco.

12 Mr. Hight, will you give us the details of that?

13 EXECUTIVE OFFICER HIGHT: Yes. Thank you. This
14 item, as you said, was the follow-up of the item that was on
15 the Commission agenda last summer. And it was authorized by
16 legislation in 1997. It solves -- clears title to a large
17 block of land in San Francisco for development. And I'd like
18 Blake Stevenson, Senior Staff Counsel to the Commission, who
19 has been working on this item for some time, to describe it
20 in more detail.

21 CHAIRPERSON CONNELL: Thank you.

22 SENIOR COUNSEL STEVENSON: Thanks, Bob.

23 Commissioners, this is a piece of property that's located
24 generally south of Market Street in San Francisco. For
25 orientation on this first placard, the new Giants' Ballpark

1 is going to be in this location. The Bay Bridge comes across
2 here. And here's this site totalling, I think, about 300
3 acres of land.

4 Since the Commission last considered this item and
5 approved the item before it then, we have closed the Block 24
6 Phase of the campus expansion. And that UC campus title is a
7 piece of property.

8 What we're here for today is to complete the entire
9 transaction and to acquire all of what's called Phase 1 land
10 that goes up to this line for the university. As Bob
11 mentioned, this has been subject to legislation, which
12 recognizes several things.

13 First of all, that this area, which is actually
14 formerly a bay, it was submerged land. This area is rife
15 with land title problems. It is subject to -- we subdivided
16 going back a century with the blocks and blocks and the
17 streets. And these streets remain -- to this day are not
18 useful for public use purposes. The Legislature recognizes
19 that and recognizes the title dispute, and then goes on to
20 call for a reorientation of the ownerships in this area in a
21 way that's beneficial and works with contemporary development
22 habits. And also to use the State's rights in this area to
23 acquire land for the campus.

24 So what we're doing is approving that today, the
25 acquisition of the property within Phase 1 of the campus.

1 Phase 2 will be acquired through the Mission Agreement
2 between the Catellus Company and UC and also the City and
3 UC.

4 There's also a second property involved, also, in
5 the legislation, which is referred to as the Western Pacific
6 Property. It's a piece of land about two-thirds of a mile
7 south of Mission Bay. It is basically at the foot of Cesar
8 Chavez Street. It's 25 or 26 acres. The legislation also
9 called for seven others and specifies a width of land which
10 must come to the State in fee ownership to settle State
11 claims within the property. We have constructed a settlement
12 which meets the legislative objectives, just as here.

13 I forgot to mention that the legislation actually
14 includes a map within, laying out the streets and the pattern
15 of ownership of the State property which will exist at the
16 end of the day. And it also specifies particular uses that
17 the property is going to be put to.

18 Just for some background discussion, this is a
19 pattern of the existing and disputed State rights on the
20 property. It shows the old street where the ownerships are.
21 The net result of what you are considering today, when
22 finally implemented, will be this, which is patterned after
23 the legislation. And the interests have basically been
24 consolidated into a new pattern and new address for the
25 benefit and acquisition of Phase 1.

1 The staff has looked at this from several aspects.
2 First of all, the Commission needs to consider whether it can
3 find that the properties being given up are equal -- excuse
4 me, the properties being acquired are of equal or greater
5 value to those given up. We have examined two appraisals,
6 one for this property, one for the property in the south, and
7 we feel confident that a finding can be made.

8 The second aspect of it is whether this final
9 resolution benefits the Public Trust. We do believe that a
10 finding can be made. So with that, I would like to turn to
11 the University and the City for their description of the work
12 they have done.

13 CHAIRPERSON CONNELL: Just before we do that, are
14 there any questions by Members of the Commission?

15 Fine. Then if we can call on the other
16 representatives.

17 EXECUTIVE DIRECTOR HIGHT: Let's start with Jesse
18 Smith, the Deputy City Attorney from the City?

19 CHAIRPERSON CONNELL: Will you please identify
20 yourself for the record.

21 MR. SMITH: Good morning, Chairman and Members of
22 the Commission. I'm Jesse Smith. I'm a Deputy City Attorney
23 with the City and County of San Francisco. I'm very
24 privileged to be here before you today and request for
25 approval on behalf of the City of the amended and restated

1 agreement concerning the Public Trust, which is a necessary
2 step in the implementation of Mission Bay, this land over
3 here.

4 I'd like to take a quick minute and thank Bob Hight
5 and his staff, particularly Blake Stevenson, Dave Plummer for
6 their good work that was done with the Attorney General's
7 office at this point.

8 The staff report and Blake's presentation, I think,
9 ably described the agreement before you and the legislative
10 authority for it. I'm going to focus on some background of
11 the project, some public benefits that flow from it and a
12 brief tour of the land use plan.

13 The project was approved by the City, including the
14 Port, including the agreement concerning the Public Trust
15 related land transfer agreement and entitlements and other
16 agreements necessary to implement the project in the past few
17 months, as broad public support has been the subject of many
18 public hearings and workshops.

19 The project has manifold public benefits. It's
20 crucial to the enhancement of public access to the enjoyment
21 of the waterfront. It also will provide jobs for about
22 35,000 plus people, including job opportunities for
23 economically disadvantaged persons, as well as housing about
24 15,000 people at full buildout.

25 It has about 50 acres of public parks and it also

1 affords net fiscal benefits to both the City and the State.
2 In fact, the City commissioned a study of the benefits of the
3 project that showed that over a 30-year period that the net
4 fiscal benefits to the City would be between \$525 and \$575
5 million.

6 The Mission Bay Plan calls for redevelopment of an
7 area that's about 303 acres, located about a mile from the
8 Bay Bridge, which is up here. It involves the yellow area
9 that's shown on this land use plan, which is residential
10 uses, and I should say that it actually involves two separate
11 redevelopment project areas.

12 One is in the north, this area here, that is
13 approximately 65 acres, and then the south area here that's
14 approximately 230 acres. The scale of the map is a bit
15 deceptive. These areas aren't quite as large as are these
16 blocks.

17 At the housing, there's a total of about 6,090
18 units, including about 1,700 that will be affordable. That's
19 about 28 percent of the total, which nearly doubles the
20 requirements of the redevelopment.

21 There is also about 50 acres of public parks,
22 including this park here and this park here, that surround a
23 channel and afford views of the channel and the Bay. And
24 this park here, which is a bay-front park, we're actually
25 going to be moving Terry Francois Boulevard from the water.

1 That park, to give you an idea of scale, is about eight
2 acres, about the size of the area in green.

3 The area here is the campus that Bruce Spaulding can
4 describe to you that the City and Catellus will be donating
5 as part of this transaction and a land comprising about 43
6 acres. It's ringed by the red area here that we anticipate
7 to be a mix of up to about six million square feet of
8 research and development. It's hoped that the campus, which
9 is the heart of the project, will really generate biotech
10 uses here and help the city grow its biotech industry.

11 In addition, I said there's 50 acres of public
12 parks, which the Trust would apply and afford access to the
13 water. In addition to the new park and street
14 infrastructure, there's a whole new and improved
15 infrastructure both north and south that includes a new
16 wastewater and sanitary system that will dramatically
17 increase the health of the Bay and reduce outflows by about
18 30 million gallons a year and reduce the solids in wastewater
19 by about 40 percent.

20 So there are a number of public benefits. One of
21 the biggest, as well, is expanding UC in San Francisco and
22 keeping it in the area. So we would urge you to act
23 favorably on the project today so that the redevelopment can
24 continue with due speed. And we hope and anticipate that
25 Catellus would actually start on its first project and that

1 UC will start on their first projects in the summer or early
2 fall of next year.

3 The first project for Catellus is anticipated to be
4 here right across from the ballpark. That will be a mix of
5 residential and retail space.

6 CHAIRPERSON CONNELL: Thank you. Any questions by
7 Members of the Commission?

8 Let's go to the second presentation.

9 EXECUTIVE DIRECTOR HIGHT: Bruce Spaulding, who is
10 Vice-Chancellor of the University of California.

11 MR. SPAULDING: Thank you. Bruce Spaulding,
12 Vice-Chancellor of the University of California, San
13 Francisco. And I'm delighted to be back before you. I
14 appeared at the June meeting to discuss the transfers
15 relative to Block 24. This individual block, which was our
16 first -- is our first construction site.

17 Just a little more detail, seeing there was a
18 general perspective given on the environment, a little more
19 detail on the campus itself. The campus is approximately 43
20 acres. We have committed, amongst other things, to commit
21 this site, Site 14, to a school site to the San Francisco
22 School District. And we're very interested in doing a new
23 innovative school where we work together with Superintendent
24 Rojas of the school district, to use the skills of the
25 University of California as a biotech and health sciences

1 campus, to make this really an exciting and innovative new
2 approach to the school.

3 We hope to have joint-use facilities between the
4 school and some of the -- on the -- with the campus
5 facilities as well. In other words, in our community center
6 we might make accessible and available to the school
7 facilities such as the auditorium, music rooms, gyms, et
8 cetera. We also, in this general area, intend to have
9 outdoor courts and recreational areas that could conceivably
10 also be of joint use.

11 Within the overall 43 acres, there's eight acres of
12 open space in green. Generally, right now, we're planning a
13 major common and green in this general area between Block 20
14 -- the width between Block 21 and 22. And as was referenced,
15 we are under a detailed design now on a major building, a
16 building of about 380,000 feet on Block 24, which would have
17 a price tag of over \$200 million in terms of construction.
18 And we intend to break ground for that in the autumn of
19 1999.

20 Again, this is intended to be a campus for the
21 State. The Regents of the University of California will
22 control it. We anticipate that all of the buildings will be
23 owned by the Regents, will be utilized for activities
24 directly related to our educational and research mission. We
25 do not anticipate any leases or arrangements with the private

1 sector on this parcel.

2 The University of California currently in San
3 Francisco, between our own properties and between our leased
4 facilities, has about six -- a little over six million gross
5 square feet of space. I did an inventory since we last
6 discussed this matter and we have currently no leases within
7 any of our properties to any private sector pharmaceutical
8 companies within our existing -- that's on our existing
9 model.

10 If we were to have a joint arrangement with a
11 private sector endeavor, whether it be pharmaceutical,
12 medical instrumentation, et cetera, we would seek them to do
13 that in the abutting zone and have them acquire land from
14 Catellus or perhaps even in the abutting areas opposite the
15 Catellus properties. We intend to keep this a public campus
16 serving public purposes, and also quite an open campus, open
17 to the community. It's not going to be gated. The green for
18 public spaces and the like is going to be open to the
19 neighborhoods and the residents of the San Francisco area.

20 So, all in all, we think the arrangement that the
21 staff has negotiated here is one that's extraordinarily
22 advantageous to the State, to the City and County of San
23 Francisco and very much to us, the Regents. We've been land
24 locked for over 20 years at our site on Parnassus above
25 Golden Gate Park. And this will allow the campus to thrive

1 and move into the next century in a way that would not be
2 possible without the provision of a new coherent site.

3 CHAIRPERSON CONNELL: May I ask you a question? Do
4 you envision that the majority of the activity of the UC
5 campus here is going to be research oriented or do you see it
6 as being a combination of research and teaching? How many
7 classes actually are going to be offered here? I had a
8 feeling it was more of a research node.

9 MR. SPAULDING: Well, it is. Generally, the theme
10 of this campus is a biomedical research endeavor. The
11 buildings are going to be biomedical research, but the
12 University of California at San Francisco, of course, is only
13 a graduate school. And our teaching is graduate whether
14 they're medical students or whether they're Ph.D. candidates
15 in, let's say, molecular biology. Where is our teaching
16 done?

17 The vast majority of our teaching is done at the
18 bench in the laboratory. We have over a thousand, right now,
19 post-doctoral students. In other words, individuals who have
20 received a doctorate and they are now working on a specific
21 procedure in an area to become an expert in, let's say, a
22 particular disease related to Alzheimers or mad cow disease
23 or any number of things.

24 So they come from around the country and around the
25 world to the University after they get their doctorate to

1 work in our lab for additional teaching and educational
2 activities. So when you look at approximately 4,000
3 students, a lot -- a large percentage of our teaching is done
4 in the laboratory environment.

5 We will have classroom facilities peppered
6 throughout this. You know, there will be classrooms, seminar
7 rooms, et cetera but our method of instruction is one that
8 isn't the traditional classroom didactic lecture other than
9 in the first years of medical school. And that would be
10 primarily still on the main campus at Parnassus and our
11 affiliated site, the county hospital, San Francisco General.

12 CHAIRPERSON CONNELL: Okay. Are there other
13 questions?

14 ACTING COMMISSIONER DEZEMBER: I have a question.

15 CHAIRPERSON CONNELL: Mr. Dezember.

16 ACTING COMMISSIONER DEZEMBER: On Lot 24 there,
17 where you indicated that was the initial construction, what
18 will that be?

19 MR. SPAULDING: This is a basic science research
20 building. A lot of our molecular biology, a lot of our
21 chemical biology, the scientists that are working on the most
22 rudimentary science that is, in often times, two or three
23 steps away from direct application to the disease. So
24 obviously that -- without that research, you never get to the
25 second and third step.

1 But for example, we were pleased this autumn when
2 one of our researchers won the Nobel Prize in medicine this
3 year, Stan Prusiner. And his type of basic research, which
4 was in mad cow disease, something I had mentioned earlier, is
5 the kind of basic research that then was in a laboratory
6 environment, that then has led to these major breakthroughs
7 that have so much helped, particularly in England and Europe,
8 as they face this dilemma over this very serious disease.
9 And so that type of first- and second-phase research is the
10 primary emphasis of this particular building.

11 We are also, on the design, we're building on --
12 we're building a 19B we call it. Our building numbers
13 basically are the Catellus block numbers and indicate A, B,
14 Cs, basically west to east along the block. So we're
15 developing a building here as well, which is neurological
16 research, which will have more clinical applications as
17 opposed to basic.

18 What we're trying to do is create a feeling of
19 campus and community as quickly as possible. So what we
20 wanted to do is develop 24, which is under design, and 19
21 where we're selecting the architects as we speak, a major
22 community center right on this end of the major public
23 green. So we will start out with a phase of three or four
24 buildings that circle the common -- the common, which, by the
25 way, is comparable to Union Square in size.

1 So it's about the size of Union Square. And by
2 doing that as our first phase, we feel we will create the
3 sense of community and campus at an expeditious and
4 facilitative way, rather than do it incrementally, block by
5 block, and at some later date adding the open space, other
6 things that would be important both to the campus and to the
7 community in general.

8 ACTING COMMISSIONER DEZEMBER: Thank you.

9 CHAIRPERSON CONNELL: Thank you. Other questions?

10 ACTING COMMISSIONER FLORES: Do you have a time line
11 for the ultimate completion of the whole project?

12 MR. SPAULDING: Well, it's 2.65 million square feet
13 and we have a major fund raising campaign involved. We
14 anticipate that the University of California, San Francisco
15 will have a new capital campaign. We had a very successful
16 one where we raised approximately \$550 million three or four
17 years ago, chaired by Tom Clausen, the former Chairman of the
18 Bank of America.

19 We anticipate a new campaign of about a billion
20 dollars to try and start raising money for this effort. We
21 also hope with the new increases of the NIH Funds, there have
22 been a wonderful increase in NIH funds the last couple of
23 years, that we may be getting federal construction money as
24 well.

25 But our only commitment is that we'd like to develop

1 this 2.65 million over the next 15 to 20 years. We can't do
2 it -- not knowing the state of the State economy or other
3 factors or where research will be, we can't predict that, you
4 know, that we will do that, but that's a goal.

5 CHAIRPERSON CONNELL: Thank you. Is there anyone
6 wishing to speak on this item in the audience?

7 I would just like to indicate on the record that I'm
8 very supportive of this. I was earlier in the summer,
9 specifically because I think it provides the natural nexus
10 between an emerging industry, one of the hottest industries
11 in the state, the biotechnical industry, and our UC system.
12 And I think it's appropriate that we utilize and leverage the
13 resources that we have at the UC system to accommodate the
14 growth of the biotechnical industry.

15 It will be nice for San Francisco to share in the
16 growth of the biotechnical industry. It's been basically a
17 southern California phenomena, basically in La Jolla in San
18 Diego and more recently in Orange County and L.A. County. So
19 it would be nice to see it spreading north and into the Bay
20 Area.

21 Do I have a motion from my fellow Commissioners on
22 this?

23 ACTING COMMISSIONER FLORES: Move approval.

24 ACTING COMMISSIONER DEZEMBER: Second.

25 CHAIRPERSON CONNELL: It's a unanimous vote.

1 Now, as this meeting is going to be our last meeting
2 I believe, for several of our Commissioners, actually, both,
3 two of my other Commissioners here, I think it's appropriate
4 that they be recognized for their services to the people of
5 California. And we would like to make a presentation to
6 Robin Dezember and Michael Flores at this time.

7 Just from a personal viewpoint, I'd like to indicate
8 that it's been my great pleasure to serve with both of you
9 over the last couple of years. I think we've accomplished a
10 number of significant achievements for those who would care
11 about the environment, care about the state of California's
12 resources and those resources which are entrusted to our
13 care.

14 I don't know what you are going to do Robin. I
15 know, reading the papers, what Michael is going to do, so
16 congratulations to Michael. But I hope that you always feel
17 very proud of the accomplishments that you've shared in this
18 Commission, that you've been a very large part of them.

19 The Controller has the advantage of sitting on over
20 50 boards and commissions. And so I sit with Robin on a
21 couple of other boards as well. But I want to tell you that
22 this has always been a commission that I have personally
23 enjoyed. It is a commission that has worked well. I can
24 only remember two or three occasions in four years which
25 we've had anything other than a unanimous vote on this

1 commission, which is extraordinary given the dynamics of
2 politics that we share here in Sacramento. And it is in
3 large measure, I think, the universal commitment by all the
4 Board to our common goals. So I want to thank my fellow
5 board members and I think we have some plaques here for you.

6 I'll start with Robin. "In recognition of your
7 service as a representative of the Governor, the Chief
8 Deputy, Director of the Department of Finance, California
9 State Lands Commission in recognition of your service to the
10 people of California and your stewardship of the State's
11 Public Trust resources," this is presented today by the
12 Commission and staff.

13 Congratulations to you. Thank you very much.

14 (Applause.)

15 CHAIRPERSON CONNELL: Robin, would you like to make
16 any comments?

17 ACTING COMMISSIONER DEZEMBER: Well, it's hard to
18 follow. You made them so well. This is quite a surprise and
19 it's very, very nice. I would like to have a longer tenure
20 working with you, but as such it is not in the cards, so I
21 probably will be in the private sector here soon. But I've
22 enjoyed this very much, too. It is, I have to say, only one
23 of my favorite jobs as Chief Deputy of Finance, is the
24 related functions. The Wildlife Conservation Board and the
25 Conservancy also rank very high with me, but these kinds of

1 boards I think do provide a long, really long-term,
2 fundamental benefit to the State and to the people. And I've
3 had a great pleasure working with you for the past year.

4 And thank you so much.

5 CHAIRPERSON CONNELL: Thank you.

6 (Applause.)

7 CHAIRPERSON CONNELL: And it's my pleasure now to
8 present to Michael Flores, as Chief of Staff to the
9 Lieutenant Governor Gray Davis. I wish Gray was here today
10 as well, because I could give him a plaque and welcome him to
11 his new roll as Governor. It's a pleasure to give this to
12 you as well. Michael, "In recognition of your service to the
13 people of California and your stewardship of the State's
14 Public Trust resources." You know, these are beautiful
15 plaques. I don't understand why the incumbent, reelected
16 people can't get a plaque.

17 (Laughter.)

18 CHAIRMAN CONNELL: I mean, you know, there's
19 something wrong here with this reward system. Michael, would
20 you like to make some comments?

21 ACTING COMMISSIONER FLORES: Thank you very much.
22 I'm speechless, but just thank you and thank Bob and his
23 staff. They have been tremendous.

24 (Applause.)

25 CHAIRPERSON CONNELL: Is there any other item that

1 we need to have Bob take before the Commission?

2 EXECUTIVE DIRECTOR HIGHT: No, Madam Chair, that
3 covers it. We'll now go into executive session.

4 CHAIRPERSON CONNELL: Yes. We'll go into closed
5 session. And if I may just have the appropriate staff
6 members stay with us.

7 Thank you all for coming and have a happy holiday.
8 And we'll see you in January.

9 (Thereupon the meeting of the State Lands
10 Commission was concluded at 11:45 p.m.)

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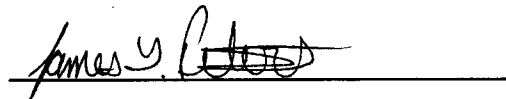
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of January, 1999.



JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
License No. 10063

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