

MEETING
STATE OF CALIFORNIA
LANDS COMMISSION

STATE CAPITOL
ROOM 437
SACRAMENTO, CALIFORNIA

MONDAY, DECEMBER 16 , 2002

11:00 A.M.

MICHAEL MAC IVER
SHORTHAND REPORTER

ORIGINAL

APPEARANCES

Kathleen Connell, Chairperson

Cruz Bustamante, Lieutenant Governor, represented by Lorena Gonzalez

B. Timothy Gage, Director of Finance, represented by Annette Porini

STAFF

Paul Thayer, Executive Officer

Jack Rump, Chief Counsel

Alan Scott

Curt Fossum

ALSO PRESENT

Alan Hagar, Deputy Attorney General

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PROCEEDINGS

1
2 CHAIRPERSON CONNELL: Good morning to all of you
3 and a happy holiday season. I apologize again for my
4 lateness, this is not my style, as you know.

5 Can we begin with a roll call, please?

6 MS. KORHONEN: Okay. Present we have Lorena
7 Gonzalez, representing the Lieutenant Governor's office. We
8 have Annette Porini with the Department of Finance, and we
9 have Kathleen Connell, the State Controller.

10 CHAIRPERSON CONNELL: Thank you. May we have a
11 motion on confirmation of minutes for the prior meeting?

12 ACTING COMMISSIONER PORINI: I move approval

13 ACTING COMMISSIONER GONZALEZ: Second.

14 CHAIRPERSON CONNELL: Okay. That has been
15 unanimously approved.

16 The Executive Officer's report, Mr. Thayer?

17 EXECUTIVE OFFICER THAYER: I have three brief
18 items here. The first is to just briefly mention that, of
19 course, like other agencies, we're enduring the same kind of
20 cuts that the State is having to implement because of the
21 fiscal crisis. I just wanted to report that my general
22 approach as your Executive Officer has been to try and
23 continue serving the public as best we can. There's no
24 doubt that with fewer people we won't be able to proceed as
25 quickly or as thoroughly as we have in the past, but we're

1 trying to, as anybody else would have to in that situation,
2 prioritize the needs of the Commission and the public and
3 serve as well as we can.

4 The biggest hit will probably be on our hazard
5 removal program. It's a program that we received some one-
6 time funding for last year that would have involved removing
7 some hazards along the Southern California coast where we
8 couldn't identify a responsible party who should have been
9 paying for it. This is an ongoing program the Commission
10 has and we will be seeking replacement money for that in the
11 future. And we've had some money in the past to take out
12 the worst of them.

13 Moving on to the next item, the Lands Commission
14 belongs to a group called the Southern California Wetlands
15 Recovery Project which involves state and federal agencies,
16 and its goal is to coordinate state and federal efforts to
17 maximize the restoration of wetlands in Southern California
18 along the coast. This is recognized as being a fairly
19 unique program across the country, and so there's a group
20 called the Coastal America which awarded plaques to all of
21 the members of the different agencies. And I wanted to
22 bring to the Commission the plaque that we received at its
23 meeting earlier this fall.

24 CHAIRPERSON CONNELL: Excellent. Do you think we
25 can sell it to help support the Lands Commission?

1 (Laughter.)

2 EXECUTIVE OFFICER THAYER: We may need to.

3 CHAIRPERSON CONNELL: Annette, would you turn that
4 in for a few more dollars. Or you may be doing kind of a
5 bartering arrangement, Annette. I mean if we give you
6 something, we can get some money in return, you know.

7 ACTING COMMISSIONER PORINI: You know, we may have
8 to. We're open to looking at all possibilities.

9 CHAIRPERSON CONNELL: Yes, this is the
10 flexibility. This is what I admire about this
11 administration.

12 EXECUTIVE OFFICER THAYER: If necessary, we could
13 change the name to the Department of Finance.

14 (Laughter.)

15 CHAIRPERSON CONNELL: See that's a deal that you
16 can strike there. That's very cagey of you and very clever.
17 It's an indication of your survival skills, Mr. Thayer.

18 (Laughter.)

19 CHAIRPERSON CONNELL: And I want to compliment you
20 on them.

21 EXECUTIVE OFFICER THAYER: Well, thank you. We do
22 what we can.

23 There was another ceremony earlier --

24 CHAIRPERSON CONNELL: Have you thought of charging
25 fees for a personal tour of the wetlands or any of that?

1 EXECUTIVE OFFICER THAYER: We thought of that. We
2 thought about ads in our agenda for the Commission. You can
3 take out an ad.

4 CHAIRPERSON CONNELL: Oh, yes.

5 EXECUTIVE OFFICER THAYER: But Jack tells me that
6 we couldn't do it.

7 CHAIRPERSON CONNELL: Even our website. I see a
8 lot of ads when I try to get my Hotmail every day. So maybe
9 that's what we could do.

10 EXECUTIVE OFFICER THAYER: Some popups, that's
11 right.

12 CHAIRPERSON CONNELL: Yeah, have popup ads on our
13 website.

14 Go ahead.

15 EXECUTIVE OFFICER THAYER: The other ceremony that
16 we were involved in recently involved the restoration of
17 Mare Island to civilian control. This Commission spent a
18 lot of time ensuring that when that base was closed that the
19 public's interest is respected, ownership interests, of
20 public access can be assured. As a result of the
21 Commission's efforts, there is a large area on the south
22 side of the island which is great for looking at the bay
23 that will be preserved as a park.

24 The last piece of this had to do with what's going
25 to happen on the west side, which will involve leasing of

1 the far and away the majority of the land to the U.S. Fish
2 and Wildlife Service as a preserve. And there was a
3 ceremony observing or commemorating that in the last month
4 out at Mare Island. And, in particular, our staff who
5 worked on this project were recognized, and they were Kelly
6 Owen, Blake Stevenson, Dave Plumber, Steve Layman, and Frank
7 Singer were the principle staff people who worked on this,
8 other's have done some as well. So it was good to see them
9 get the recognition that they deserve for all the good work.

10 CHAIRPERSON CONNELL: That's excellent.

11 EXECUTIVE OFFICER THAYER: And the only other item
12 I have is just to wish everybody a happy and safe holidays,
13 and we start again in the new year, and we want to make sure
14 everybody is back with us.

15 CHAIRPERSON CONNELL: We certainly do. Don't fly
16 airlines.

17 Okay, consent calendar. Let's see, what is on the
18 consent calendar, Mr. Thayer?

19 EXECUTIVE OFFICER THAYER: There are no items to
20 be removed from the consent calendar.

21 CHAIRPERSON CONNELL: Okay. Do any Board Members
22 have any desire for any item?

23 And then I'm going to ask for approval of the
24 consent calendar, except for Item 63, Mr. Thayer?

25 EXECUTIVE OFFICER THAYER: Yes. And that's not on

1 consent.

2 CHAIRPERSON CONNELL: Right. Okay, fine. The
3 consent calendar then will be -- can someone make that
4 motion?

5 ACTING COMMISSIONER GONZALEZ: I move to.

6 ACTING COMMISSIONER PORINI: Second.

7 CHAIRPERSON CONNELL: It's been moved and
8 seconded. The consent calendar is passed.

9 All right. Let's move to the remaining calendar.
10 Mr. Thayer.

11 EXECUTIVE OFFICER THAYER: Item 63 is a report on
12 compliance with conditions and requirements that it attached
13 to its approval of an exchange of public trust lands for
14 other lands that became subject to the public trust. That
15 was brought about because of the Queensway Bay Project in
16 Long Beach. You may recall that at our last meeting, a
17 gentleman, Lester Denevan, a citizen of Long Beach who's
18 spoken to the Commission before raised concerns concerning
19 whether or not Long Beach was in compliance with the
20 Commission's conditions and the Chair directed that staff go
21 back and investigate this and return with a report.

22 Here today is Curtis Fossum to give that report.

23 MR. FOSSUM: Good morning, Madam Chair,
24 Commissioners. As Paul said, this is in response to your
25 request that the staff report on compliance by the City of

1 Long Beach with the Queensway Bay exchange agreement. You
2 also recall that the Commission approved that agreement in
3 September of 2001, after considerable discussion and after
4 directing that certain conditions be added to the agreement.

5 As noted in the staff report, the exchange
6 agreement incorporated the Commission's concerns with four
7 conditions of approval. Exhibit A on our staff report
8 details those conditions.

9 The first is that all necessary agreements between
10 the City and the developer were to be in place and effective
11 by May 31st of 2002. The second, the developer must proceed
12 with development of the project without phasing. And third,
13 the leasing and use of the parcel were to be as set forth in
14 the plans before the Commission at the September 2001
15 meeting and are as follows. Parcel A1, a large-scale format
16 theater; Parcel C1, a day spa or a retail; CD, a multiplex
17 theater on the second floor; D1, retail; and E, retail.

18 Finally, to ensure compliance with the
19 Commission's concerns. Failure to comply with the deadline
20 of May 31st will result in termination of the agreement, and
21 secondly, if phasing or an unauthorized use occurred after
22 the exchange, that parcel or parcels would revert to the
23 trust.

24 Staff has confirmed that the city has complied
25 with the first condition. Staff has also continued to

1 monitor the development and leasing activities for
2 compliance with the conditions on phasing and uses.

3 Based upon communications with representatives of
4 the city, the developer, and two recent on-site staff
5 inspections, the construction appears to be proceeding
6 without phasing. Also no leases have been let for any uses
7 inconsistent with those listed on Exhibit O of the
8 agreement, as listed on Exhibit A of your calendar item.

9 Our conclusion is that there does not appear to be
10 any current violations of the Commission's conditions on
11 phasing and leasing and, therefore, no triggering of
12 Condition 4 causing reversions to the trust.

13 We will continue to monitor the development and
14 leasing on the three acres making up those five exchange
15 parcels, and we are following the remainder of the Queensway
16 development to ensure that no violation of trust use
17 restrictions occur there.

18 Finally, until construction is complete and the
19 tenants have occupied the structures on the five parcels and
20 opened them for business, the ultimate determination of
21 total compliance with the agreement cannot be made. If
22 conflicts arise prior to that occurrence, we will notify the
23 City and developer and report any situations to the
24 Commission.

25 Thank you. I'm available to answer any questions.

1 CHAIRPERSON CONNELL: And we do have some public
2 speakers. I'll call them in the order in which we received
3 a request to address the Committee today.

4 When you do come forward -- where would you like
5 them to come forward today? Are you going to put them next
6 to you?

7 Please identify yourself for the record.

8 The first speaker will be Rick Dongell. The
9 second speaker will be Jim McCabe. The third speaker will
10 be Lester Denevan. And the last speaker will be Don Lay.

11 Rick, please come forward. And each of you will
12 be given the statutory three-minute time period to address
13 Committee members.

14 MR. DONGELL: Good morning, Commission Members.
15 My name is Richard Dongell. I'm legal counsel on behalf of
16 developer, Developers Diversified. And I am willing to
17 waive my time. I just arrived today to be on hand to answer
18 any questions or clarify any issues that may arise. I'd be
19 willing to waive the balance of my time to Jim McCabe, the
20 in-house counsel for the City of Long Beach.

21 CHAIRPERSON CONNELL: Excellent.

22 Mr. McCabe. Wasn't that an exciting air flight up
23 here today, Mr. McCabe. Weren't you on my flight? I
24 appreciate a little excitement on these otherwise tedious
25 flights up and back. I think you were on that flight, Alan?

1 MR. HAGAR: No, I wasn't. Did you come from LAX?

2 CHAIRPERSON CONNELL: No. I came from Burbank.

3 You weren't on the flight, Alan?

4 MR. HAGAR: No, I wasn't. No, I was on the 8:05.

5 CHAIRPERSON CONNELL: The 8:00 o'clock from LAX

6 was an exciting flight?

7 MR. HAGAR: A little bumpy.

8 CHAIRPERSON CONNELL: Yes.

9 Mr. McCabe.

10 MR. MCCABE: Commissioner, my name is Jim McCabe,
11 Deputy City Counsel for the City of Long Beach. I just want
12 to reassure the Commission that the City is receiving
13 periodic reports from the developer on the leasing
14 situation. The project is proceeding without phasing as
15 reported, and the City is cognizant of all aspects of the
16 exchange agreement and we want to be sure that they're
17 complied with.

18 I respectfully reserve the remainder of my time
19 until I find out what the objections are from the public,
20 and perhaps I can answer some of those concerns.

21 CHAIRPERSON CONNELL: Certainly. And we do want
22 to have that opportunity. We would have given it to you
23 whether you used up your time or not.

24 MR. MCCABE: Sure.

25 CHAIRPERSON CONNELL: Because that's just the way

1 this commission operates.

2 MR. MCCABE: We're very cognizant of all the
3 aspects of the exchange agreement. We are keeping in
4 periodic touch, frequent touch, with the developer as to the
5 leases, particularly on the five parcels that were part of
6 the exchange, and we'll continue to be sure that the project
7 is proceeding without phasing.

8 CHAIRPERSON CONNELL: Jim, may I ask you, can you
9 illuminate for us what exactly, since you're there, I mean
10 we know the classes of the leases. But I'm curious as to
11 who's actually signed retail leases, this is a difficult
12 economy.

13 MR. MCCABE: It is a very difficult economy. And
14 the report I have seen is the same report that's before you.
15 And although I didn't bring it with me today, I'm aware that
16 it is almost exclusively at this point restaurants which are
17 certainly acceptable uses, and Gameworks which is an upscale
18 restaurant video game kind of tourist-oriented use that
19 would have no objection, from the City at least, as to a
20 tideland's use.

21 So everything we've seen is what you've seen. We
22 will receive more reports and the developer's out there
23 beating the bushes for more leasing, presumably particularly
24 more retail leasing. The City would like to see, of course,
25 a balance of uses, although that's not required by the

1 exchange agreement per se. But we're keeping in touch with
2 the situation.

3 CHAIRPERSON CONNELL: Did you want to comment
4 further? No.

5 All right. Lester Denevan. And then we have our
6 final speaker, Don May, after that.

7 Good morning, Lester.

8 MR. DENEVAN: Morning.

9 CHAIRPERSON CONNELL: Did you drive up or fly up?

10 MR. DENEVAN: I drove up.

11 CHAIRPERSON CONNELL: Oh, a sane person in every
12 group. Okay.

13 MR. DENEVAN: Lester Denevan, resident of Long
14 Beach.

15 I'm concerned about the progression of this
16 project, of the Queensway Bay in Long Beach. Among other
17 things, there has been a change in the amount of floor area.
18 I understand it would be reduced from 508,000 square feet to
19 370,000. So this will be a less intense development than
20 originally contemplated.

21 CHAIRPERSON CONNELL: And is that good or bad,
22 from your perspective?

23 MR. DENEVAN: It can be good and bad. I don't
24 think there should be any commercial on the property, but if
25 you're going to make commercial uses, perhaps they should be

1 very intensive, in order to make full use of scarce public
2 land on the shoreline. So if you have a major reduction in
3 the size of a project, it will compare to a suburban retail
4 involvement. And that is not appropriate for this property,
5 which is easily worth a million dollars an acre. That's my
6 first item.

7 Number two, and perhaps the staff can respond to
8 these four items, but with a change in the floor area, you
9 would also have a change in the parking requirements. And
10 there's a question of the parking in relationship with the
11 total types of uses down there. And, number two, that
12 according to the Queensway Bay exchange agreement of a year
13 ago, and that would be 627,000 square feet of floor area.
14 Now, that, I believe, includes both north of Shoreline
15 Drive, the five parcels, and south of Shoreline Drive. I'd
16 like to see that total floor area. And if that is needed in
17 order to accommodate the provision of the required parking,
18 depending on the floor area.

19 CHAIRPERSON CONNELL: What is that ratio, does
20 staff know, of parking to square footage?

21 EXECUTIVE OFFICER THAYER: I don't know what the
22 City's requirement is. Curtis, do you?

23 MR. FOSSUM: No. We haven't been looking at
24 parking as an issue there, parking, you know, near the
25 tidelands. And some of this parking is to be used for the

1 aquarium that's in the area, as well as public access. So
2 it's sorely needed as it is in most waterfront areas.

3 CHAIRPERSON CONNELL: Well, is that part of our
4 agreement?

5 MR. FOSSUM: No.

6 CHAIRPERSON CONNELL: So it wasn't one of the
7 things you monitored?

8 MR. FOSSUM: That's correct.

9 CHAIRPERSON CONNELL: So, Lester, we can't provide
10 an answer to that.

11 MR. DENEVAN: Okay. My third item, the classes of
12 the retail uses that are to be built at Queensway Bay. What
13 happened to the box retail, what happened to the bookstore?
14 And then in reference to retail, quote, unquote, Calendar
15 Item Number 63, that includes a Staples, a grocery store, a
16 Savon Drugs. I'd like to know what those retail uses are,
17 because many retail uses are not an appropriate type of
18 public trust use.

19 CHAIRPERSON CONNELL: Who in the audience think
20 they can provide that information? I asked a similar
21 question.

22 Mr. McCabe, do you have that information?

23 MR. MCCABE: I can comment in general, but --

24 CHAIRPERSON CONNELL: No, no, we want a specific
25 layout of the leases to date. Somebody must know that.

1 EXECUTIVE OFFICER THAYER: As I understand
2 Lester's comment, correct me if I'm wrong, is that you're
3 not necessarily saying that those uses are proposed, but you
4 want to know whether they could be allowed?

5 MR. DENEVAN: Well, I don't like to see a blank
6 check. Your report refers to retail on several of the five
7 parcels.

8 EXECUTIVE OFFICER THAYER: Right.

9 MR. DENEVAN: Is that a Cost Plus as originally
10 contemplated, or will these be appropriate uses for the
11 tidelands?

12 CHAIRPERSON CONNELL: Well, let's let our staff
13 respond.

14 EXECUTIVE OFFICER THAYER: In answer to that first
15 question, if there are more, we're, of course, happy to
16 respond, the five parcels from which the trust is being
17 lifted are not contemplated for public trust uses. And, in
18 fact, it was because the Commission found that those uses,
19 the ones you're describing, Cost Plus and that kind of
20 thing, were not public trust uses, that this exchange went
21 forward and the determination that these lands were needed
22 for the trust.

23 CHAIRPERSON CONNELL: Well, that's why it's
24 important to know what do they have. Do we know that?

25 EXECUTIVE OFFICER THAYER: And at the moment, they

1 have leases only for, I believe, one of the cinemas, and for
2 the Gameworks.

3 MR. FOSSUM: Our understanding is that right now
4 there are two operating agreements on the property for the
5 Gameworks on Parcel C and the cinema on Parcel CD. That's
6 the only ones that as of now have been signed that we're
7 aware of. And the City maybe correct me if I'm wrong on
8 that. But that's what the latest information that has been
9 given to us is.

10 CHAIRPERSON CONNELL: So we have restaurants
11 basically. What kinds of restaurants?

12 MR. FOSSUM: Well, there are no restaurants on the
13 five parcels at this time that I'm aware of. The
14 restaurants that leases have been executed for are on other
15 parts of the Queensway Bay where we weren't looking at the
16 problem, because as far as we were concerned there was no
17 issue of inconsistency with the trust. Visitor facilities
18 on the waterfront are a very typical type of trust activity,
19 and so the Commission staff certainly had no question about
20 the City's operation of that area for those uses.

21 The problem arose when they proposed these retail
22 uses and the cinema-type uses that were not a traditional
23 trust use. So the Commission's investigation and the focus
24 of the agreement were on those uses. And because they were
25 terminated, the agreement provides that retail can go into

1 those uses. It's also what the Coastal Commission has
2 authorized by their permit.

3 So there doesn't appear to be any conflict as far
4 as we're concerned if those go for typical retail. There
5 have been some issues raised by some people in the city who
6 heard that some nonretail-type of uses might go in there,
7 and we've investigated that and talked to the City, and as
8 far as we know, nothing like that is contemplated.

9 CHAIRPERSON CONNELL: Mr. Denevan?

10 MR. DENEVAN: The land is owned, it is still
11 publicly-owned land, public recreational land, and so it's
12 no longer the state public trust status, but it is public
13 land, and there is a trade off which provided for these uses
14 to go or not to go throughout that Queensway Bay project.
15 You looked at the entire project, there's a report that
16 encompasses both north and south of Shoreline Drive, so
17 there should be something more specific then in your report
18 here and what kind of uses, retail uses, that are going to
19 go in there. And otherwise, it's a blank check.

20 And my last point, number four, would be the large
21 screen format theater and the multiplex movie theater. The
22 question is are both of these to be allowed or only one?
23 This is Item Number 63, December 16th, in your report. The
24 last I heard, the large-format screen had been abandoned.
25 Could that be clarified for the Commission, please?

1 CHAIRPERSON CONNELL: Certainly.

2 MR. DENEVAN: Thank you.

3 MR. FOSSUM: Madam Chair, those are both required
4 as part of the agreement. So if the City does not put in
5 one of those two uses, that particular parcel would revert
6 to its trust status. The City would still have control of
7 it, but they would need to put a trust-consistent use on
8 that parcel.

9 CHAIRPERSON CONNELL: So what are you saying?

10 MR. FOSSUM: If they don't build a -- for example,
11 if on the parcel that's designated for a large-format
12 theater, if that parcel cannot get a tenant for that use,
13 then the parcel will have to be used for a trust-consistent
14 use. The City would have to rededicate that parcel to the
15 trust. That's the way the agreement was drafted in order to
16 comply with the Commission's requirements that these uses be
17 made or that it comes back to the trust.

18 MR. DENEVAN: Just briefly, reading this on page
19 3, it says multiplex theater and so and so forth, and a
20 large-format theater. It looks like both.

21 EXECUTIVE OFFICER THAYER: Yes.

22 MR. FOSSUM: That's correct.

23 MR. DENEVAN: And if one is not built, then
24 they're in default, the City's in default?

25 MR. FOSSUM: That's correct.

1 CHAIRPERSON CONNELL: Well, let us go through that
2 process. I mean how likely is it, either Mr. McCabe or Mr.
3 Dongell, that given this economic climate that we're in, I
4 mean that we're going to have any kind of theater. I mean
5 it's been a while since I was in the retail underwriting
6 game, but I can't imagine that the numbers are any more
7 persuasive now than they would have been in any other
8 downturn of the economy. It's a very difficult class of use
9 to structure in an economic downturn. Rick, do you want to
10 join us. Just let him sit down with you, that's fine.

11 MR. DONGELL: I can even speak from here.

12 CHAIRPERSON CONNELL: Oh, that's fine. Please
13 feel comfortable to sit down.

14 MR. DONGELL: The developer was held up, frankly,
15 in their ability to lease this project due to the fact that
16 the cloud was created by the litigation that was filed by
17 California Earth Corps. It made it very difficult to try to
18 enter into any serious meaningful leasing negotiations while
19 that litigation remained in place. The litigation, as you
20 may know, was defeated in state court here in Sacramento.
21 And since that time the developer has been engaged in
22 serious meaningful negotiations with a wide variety of high-
23 quality tenants and they are in the middle of that process
24 and they're trying to make up for some lost time as a result
25 of the litigation. But in the meantime, as stated by Mr.

1 Fossum here, and he's very correct in stating how the
2 agreement would work. When we build the project and it's
3 open for business, we're either going to have a tenant
4 fitting that use in place, and if we can't put up or shut
5 up, then that property will revert back to the trust
6 restrictions. I think that's accurately stated.

7 CHAIRPERSON CONNELL: All right. So there has
8 been no negotiation with a theater at this point.

9 Now, Lester, I must --

10 MR. FOSSUM: If I could, Madam Chair, there is an
11 operating agreement for the multiplex theater, but not for
12 the large format.

13 CHAIRPERSON CONNELL: Okay.

14 MR. DONGELL: The Imax theater, they're still in
15 negotiations for potential tenants for that use. But with
16 regard to the multiplex theater, there is an agreement in
17 place.

18 CHAIRPERSON CONNELL: There is or is not?

19 MR. DONGELL: There is.

20 CHAIRPERSON CONNELL: There is, okay. Great.

21 MR. DONGELL: Thank you, Commissioner.

22 CHAIRPERSON CONNELL: Mr. Denevan, we're going to
23 have to wrap it up. We have been more than generous with
24 the time here.

25 But we do have one other speaker, Don May.

1 Don are you waving at us with your pad there? Are
2 you the person that they were talking about that filed the
3 litigation?

4 MR. MAY: Yes, ma'am.

5 CHAIRPERSON CONNELL: Would you like to give us an
6 update on what's going on?

7 MR. MAY: Sure. Thank you, Chairman, if that's
8 the proper way to address you, I hope.

9 CHAIRPERSON CONNELL: It's all and above, that's
10 fine.

11 MR. MAY: First, let me comment, if I can, on the
12 staff report. And I didn't know whether they were in favor,
13 or supporting or opposing. I guess it's mostly trying to
14 get some answers on some rather vague areas out here. We do
15 have a lot of questions about whether or not, in fact, they
16 are in concurrence with the May 31 deadline because some --
17 and I am particularly glad that you're here and able to
18 refresh our memories.

19 We have not seen the transcript on the September
20 17 meeting, and my recollection was a tad different than
21 what is here, in that, number one, starting, we had
22 interpreted as the ground would be breaking, they would be
23 moving ahead. If they didn't meet that, they certainly have
24 now. But more importantly was that there would be -- and it
25 was 60 percent to two-thirds, something like that, 60 to 65

1 percent of leases would have been in before that May 31
2 time. And as you see, they're still not. Now part of that
3 was this looking at one-third, one-third, one-third, some
4 diversity of what those leases would be. However, on the
5 properties in which the public trust has been lifted,
6 nothing has gone forward. So we don't see much injury.

7 Our big concern was that we have not been able to
8 get exactly what the status of those leases or if it's a
9 lease option agreement or exactly what those are. And, in
10 fact, the last page on your staff addendum is the best that
11 we have gotten.

12 There is also just a lot of gossip around town as
13 this project has morphed from a pedestrian-oriented tourist
14 serving facility into one that's sales tax driven as the
15 City strives to make up some budget shortfall that has
16 caused, we believe, the project to change substantially, not
17 only from what it was intended back when it was in the
18 planning process, but since last May. That, in particular,
19 as is mentioned in here, there's been talk and an editorial
20 comment in the local newspapers about in order to serve the
21 residential uses that are adjacent better that there be dry
22 cleaners and other resident-serving facilities put in. And
23 we strongly believe that those are not public trust uses.

24 And most recently there's been talk of a Macy's
25 department store going in the triangular facility in this,

1 and that's mostly given some credibility because of the
2 cessation of work on the public trust area, that is to say
3 the area south of the parking structure. It's extremely
4 expensive to pull workers off a job and redesign utility
5 layouts and that sort of thing, and that gives us a feeling
6 that reports that a large Macy's department store would be
7 going in perhaps has some credibility.

8 Therefore, we certainly concur with the direction
9 to your staff that you follow this project closely to see
10 that all those terms be -- that, in fact, all of the uses
11 which go in are, in fact, a legitimate public trust land
12 uses and that things which are advertised around town as
13 being resident serving not go in there, and particularly a
14 department store.

15 There are over 7,000 acres of similar land along
16 California's coastline that are -- that is to say that's
17 filled which could be used exactly as this for these
18 nontrust uses. And that's the reason that this particular
19 case is getting an awful lot of attention.

20 Where the case is now. We filed our appeal and I
21 have copies for staff if you have not seen it, filing about
22 six weeks ago. Now the response is due from the City on the
23 24th of this month. Responses are requests for amicus
24 filings are either filed or will be early this week by a
25 member of the major big green organizations, NRDC Club, and

1 so forth, because of the not only coastal applications of
2 this and the precedent-setting nature of this, but also
3 there has been a lot of interest in the precedent set by
4 this project on the shoreline at Lake Tahoe and the impacts
5 on tourists. So there are a lot of issues that will be
6 considered for quite some time on this project regarding the
7 areas where the trust has been lifted.

8 CHAIRPERSON CONNELL: Let's try to wrap it up. Is
9 there anything else?

10 MR. DONGELL: That's it. Thank you very much, I
11 really appreciate it. I think that your concern and the
12 time spent on this issue is more than warranted. I do
13 appreciate your efforts, courtesy, that Jennifer and the
14 staff that have put into this, and I hope that you will have
15 better success than we do in finding just exactly what these
16 leases are.

17 CHAIRPERSON CONNELL: Well, and I appreciate that.
18 I want to thank every member of the public who has come
19 forward today to offer their comments. This is of
20 continuing interest to the Board and I'm sure it will be an
21 interest to both Annette and the Lieutenant Governor as they
22 continue on in the new year.

23 And I would hope, Paul, that you would continue to
24 periodically schedule updates. I think it's very important
25 for the Board. I'd like to get a sense of my fellow Board

1 members' views on this, but I think that would be
2 appropriate that you schedule that whenever Mr. Bustamante,
3 who I believe will be chairing next year, chooses to do so.
4 But I think that might be something that you might want to
5 do on an ongoing basis.

6 EXECUTIVE OFFICER THAYER: Certainly.

7 CHAIRPERSON CONNELL: All right. Thank you,
8 Curtis.

9 MR. DONGELL: And if I could have one more crack.

10 CHAIRPERSON CONNELL: Yes, quickly.

11 MR. DONGELL: And that's beyond this. But one of
12 the key things that's been decided that's been used over the
13 years, the primary public trust use for subsistence fishing
14 and things beyond all of our ability to address with
15 security has removed subsistence fishing from large parts of
16 the port area, and this would close out one of the last
17 places that people have to fish in the area. And that has
18 become -- I don't know how you would address that, if you
19 can at all, but that is of increasing concern to us.

20 CHAIRPERSON CONNELL: And I think it's something
21 we have to be watchful of along the coast in general.

22 Thank you.

23 Any action we need to take today, Mr. Thayer?

24 EXECUTIVE OFFICER THAYER: No. The staff
25 recommendation is that you direct us as you just did to

1 continue to monitor the situation.

2 CHAIRPERSON CONNELL: May I have a motion for the
3 staff recommendation?

4 ACTING COMMISSIONER PORINI: Move approval.

5 ACTING COMMISSIONER GONZALEZ: Second.

6 CHAIRPERSON CONNELL: All right. It's unanimous.
7 We're now on 64; is that right?

8 EXECUTIVE OFFICER THAYER: Yes, Madam Chair. 64
9 is a report by staff on a unique, originally unique sliding
10 scale royalty formula that was implemented and approved by
11 the Commission back in 1995 at Huntington Beach and the
12 offshore oil leases there. It was one that the Chair took
13 personal interest in when she first came to the Commission
14 and requires us to do some additional research to make sure
15 we're on track here. And staff would like to give you the
16 results of this formula.

17 CHAIRPERSON CONNELL: This is one of those early
18 pedantic conversations. I can remember the meeting that we
19 had and Commissioner Davis was here, and the Lieutenant
20 Governor was on the Board with me at the time, as I recall,
21 and we spent a lot of time arguing over what the right
22 formula was, not Gray and I, we were in it together. We
23 were arguing with the oil company over how they were
24 determining royalties, as I recall.

25 Oh, yes, go ahead. Identify yourself for the

1 record. And I don't believe we have any public comments on
2 this one.

3 EXECUTIVE OFFICER THAYER: I don't think so.

4 MR. MERCIER: Good morning, Madam Chair and
5 Honorable Members of the Commission. My name is Dave
6 Mercier and I'm in charge of finance in the Mineral
7 Management Division. This is an update on an innovative
8 royalty schedule program that was approved on May 3rd, 1995.
9 This presentation shows the benefits the State has received
10 and will continue to receive as a result of that approval.

11 The royalty program was implemented in Southern
12 California in the Huntington Beach field shown on the map.
13 Era Energy operates the five leases affected by the royalty
14 schedule and Platform Holly, you can see it right there.

15 Just a brief background. The operator is Era
16 Energy, market capital of over a billion dollars. In
17 December of 1993, the lessee claimed that the lease was
18 uneconomic at the current oil price, which was at that time
19 \$10 a barrel. A royalty reduction was requested and the
20 existing royalty rate was a fixed 15.5 percent. Staff was
21 unwilling to reduce the royalty rate because we knew
22 eventually that the oil price would go up and we wouldn't be
23 participating equitably if we reduced it to a low fixed rate
24 royalty.

25 On May 3rd, 1995, the Commission approved a

1 royalty schedule that tracked oil price. When the oil price
2 goes up, the royalty rate --

3 CHAIRPERSON CONNELL: And this is my particular
4 index that we came up with. I suggested, for Board Members
5 who weren't on the Board at that time, that we do a market
6 tracking index so we could get the benefit of the increase
7 in oil returns, I was certain was going to come.

8 MR. MERCIER: In evaluating Era's request, staff
9 worked with UCSB economics professor, Dr. Bob Deacon, as
10 well as several other economists to ensure that the royalty
11 schedule was of benefit to the State.

12 Early on some of the profit sharing arrangements
13 that we looked at. We looked at net profits --

14 CHAIRPERSON CONNELL: We don't have to go through
15 all this.

16 MR. MERCIER: Okay. Yes. Fixed rate, okay. And
17 then we ended up with a royalty rate that tracks oil
18 profits.

19 Okay. Here's the royalty schedule. It goes from
20 a low of four percent to as high as 25 percent.

21 It really ends up a win-win for both parties.
22 When the price goes about 13.90, the State participates more
23 in the profits, below 13.90, Era has a built-in hedge,
24 because the royalty rate drops.

25 Right to the benefits. Since June of 1995, the

1 Huntington Beach field has generated for the State over \$40
2 million. The State has collected \$15 million more than what
3 we would have received under the old 15.5 percent fixed rate
4 royalty.

5 CHAIRPERSON CONNELL: That's not a bad rate of
6 return, Paul.

7 MR. MERCIER: The negotiated royalty rate has
8 averaged 1.2 percent more than the old 15.5 percent.

9 CHAIRPERSON CONNELL: A 40-percent increase over
10 what we would have received. We have to figure out more
11 ways to do this, Paul.

12 EXECUTIVE OFFICER THAYER: We're going to be
13 looking.

14 CHAIRPERSON CONNELL: Annette, put pressure on
15 them.

16 (Laughter.)

17 ACTING COMMISSIONER PORINI: I ask that question
18 every time we have briefing should you increase these fees.

19 MR. MERCIER: And I think we'll have more
20 opportunities to do things like this later.

21 Some of the other benefits. Increased field
22 investment accelerates oil production and reduces the
23 field's economic life. Because the royalty schedule was
24 contingent on a \$7 million investment over a five-year
25 period, they were able to accelerate the oil production and,

1 therefore, Platform Emmy will be removed sooner as a result
2 of --

3 CHAIRPERSON CONNELL: Another terrific benefit
4 that should be in capitalized letters.

5 MR. MERCIER: Absolutely. That is, I think, a
6 critical point really in getting this out and as a result
7 we're making more money, the platform will be removed
8 quicker, and really it's resulted in something the company's
9 benefitted and we've really benefitted.

10 CHAIRPERSON CONNELL: Thank you.

11 MR. MERCIER: The popularity, just briefly. Staff
12 has presented technical papers throughout the United States
13 on the benefits of using this type of royalty. Since its
14 first implementation at Huntington Beach --

15 CHAIRPERSON CONNELL: Maybe you could be an
16 advisor for some more money, Paul.

17 EXECUTIVE OFFICER THAYER: There's a charge for
18 that advice.

19 CHAIRPERSON CONNELL: Did we patent the sliding
20 scale, Connell/Davis/Thayer Scale?

21 (Laughter.)

22 CHAIRPERSON CONNELL: I'd be happy to give my
23 residual income back to the State as a sign of support for
24 the State in these dire times.

25 ACTING COMMISSIONER PORINI: Unfortunately, I

1 think we would have to pay the advisor, so it might wash
2 out, but it's a good thought.

3 MR. MERCIER: Since its first implementation at
4 Huntington Beach, it has been successful throughout the
5 world. They are actually using it now in Alaska in some of
6 the oil fields, South America, Canada. Staff has worked
7 with professors from UCLA, Dr. Eduardo Schwartz. Staff
8 brought Dr. Lewenberger of the Colorado School of Mines, Dr.
9 Davidson, initially, UCSB professor, Dr. Bob Deacon.

10 The outlook. The State estimates that the royalty
11 revenue should exceed \$80 million over the next eight to
12 fifteen years. We estimate that during the next 15 years,
13 Era's oil field will produce an incremental amount of
14 revenue to the State of \$30 million as a result of the May
15 1995 Commission approval.

16 Thank you.

17 CHAIRPERSON CONNELL: Thank you very much. That's
18 a real credit to the State that we have been able to earn a
19 few more profits.

20 I think that finishes the public agenda. Do we
21 have anything else, Mr. Thayer?

22 EXECUTIVE OFFICER THAYER: Yes, Madam Chair,
23 there's one more item which isn't on the agenda, but is as
24 important as any of the others for sure.

25 As is our tradition, we wanted to honor you for

1 your eight years of service to the Land's Commission. I
2 think as most people know in the room, Controller Connell is
3 termed out as Controller for the State.

4 CHAIRPERSON CONNELL: It's not true the oil
5 companies are applauding.

6 (Laughter.)

7 EXECUTIVE OFFICER THAYER: She's been with us for
8 eight years. I've only been with the Land's Commission for
9 six and a half, so I think I understand something of the
10 work that she's put into the Commission and the leadership
11 that she's provided.

12 I wanted to touch on a couple of the points that
13 I've been involved with. In particular, especially with
14 respect to the Queensway Bay constituents coming up here and
15 talking to us today, I think that you've always been
16 involved with wanting to ensure the maximum public
17 participation that was possible. And some of the
18 requirements that you have put in place ensure that that's
19 the case. We have a statutory requirement to send out a
20 notice ten days in advance. You asked that we do it in 15
21 days, even though it's not required by law, because you
22 wanted to make sure that everyone had a greater advance
23 notice of what we were going to be dealing with.

24 You've also been involved with our website, for
25 both educational purposes and public participation as well.

1 Usually whenever we give a presentation like this, you're
2 always asking can this go on the website. So the half day
3 work session that you participated in is up there, the
4 abandonment of Belmont Island, which went off without a
5 hitch, we have information about that up on our website.
6 And, of course, we have the shipwreck information that
7 highlights the Brother Jonathan recovery that we were
8 involved with.

9 So our website is much more active because of the
10 direction you've provided, and it provides both information
11 and opportunities for public participation.

12 There are a lot of others we could talk about, but
13 I'm going to give a chance to the others to speak as well.
14 But before doing that, we do have a plaque that we'd like to
15 give you because --

16 CHAIRPERSON CONNELL: Made out of seaweed?

17 (Laughter.)

18 EXECUTIVE OFFICER THAYER: As a symbol of our
19 appreciation, both of the Commission and the staff. I'd
20 like to note in particular here that it shows the public
21 trust waters of the state. It shows all the rivers, we're
22 not putting down names of cities here, but these are the
23 waters which the Lands Commission while you were Chair has
24 been looking out for. And we hope you'll find a prominent
25 place to display this.

1 CHAIRPERSON CONNELL: Thank you. I really
2 appreciate it.

3 Has everyone seen this, it's really quite
4 beautiful. Thank you.

5 (Applause.)

6 CHAIRPERSON CONNELL: Thank you.

7 EXECUTIVE OFFICER THAYER: And personally I have
8 one other thing to give you. I know that one of the things
9 that you've always talked about is your participation in
10 Bolsa Chica and to seeing that Shell take full
11 responsibility for the liability there. You held up the
12 agreement that day until they figured that out. And that
13 you like to talk about using your green pen to sign that. I
14 don't have a very fancy pen, it's just State issue, but
15 that's --

16 (Laughter.)

17 (Applause.)

18 CHAIRPERSON CONNELL: Thank you.

19 EXECUTIVE OFFICER THAYER: Thank you. Thanks for
20 everything.

21 CHAIRPERSON CONNELL: Thank you very much.

22 Now, this green pen has history, I can tell you.
23 We got to a point where the Interior Department flew in from
24 D.C. and we're having this meeting at Huntington Beach City
25 Hall, as I recall, and Gray and I were adamant that we were

1 not going to move forward because they had shifted one part
2 of the agreement at the last minute. And the Interior
3 Department was insisting that they had flown out from
4 Washington and it was after all their deal, and who were we
5 as a state to possibly intervene in this. And we said, no,
6 we're not, we're going to wait. And I inked some changes in
7 green on the agreement, and we gave it back to the oil
8 company and we said if you don't want to sign the changes,
9 we'll just walk out. And they paused, and if you remember
10 there was this delay and everyone took a period to
11 reconsider and strategize, and then finally we got their
12 signature. And everyone's signature was in green on the
13 document, and it was my pen.

14 I would like to just recognize my son, Garrett,
15 who is in the audience. Garrett, can you stand.

16 (Applause.)

17 CHAIRPERSON CONNELL: I am very proud of Garrett.
18 This young man was all of two and a half when I stepped into
19 office. So you can see what eight years really represents.
20 It goes by very fast in terms of our thinking and our day-
21 to-day pressures. But when you think of it in terms of a
22 child's life or the life of California, it is a significant
23 commitment of time.

24 This has always been one of my favorite
25 commissions. I love it and I try to stay engaged and

1 involved, and I know that my replacement as Controller, my
2 successor, will indeed enjoy it as much as I have. We've
3 had fabulous staff talents here. I've always said that to
4 everyone. Whether it was your predecessor who has moved on
5 or Paul and Alan and Jack, we have always had the best and I
6 think the state is enriched by the commitment of your
7 talents and that of your staff. It's a remarkable group of
8 people.

9 And we have a lot to be proud of here in the state
10 of California. We've held our own, and I think the
11 environment is a treasure, it's what makes California the
12 beautiful state that it is and it distinguishes us from I
13 think almost anywhere else in the country. Other places may
14 have their shoreline, but we have our shoreline and we have
15 our mountains and we have our deserts and we have our rivers
16 and we have our wetlands. And it is truly a remarkably
17 diverse state and to the extent that I helped contribute to
18 saving those resources for my children's generation and
19 their children's generation, I thank you for the support
20 that you've given me.

21 EXECUTIVE OFFICER THAYER: Thank you.

22 CHAIRPERSON CONNELL: I want to thank particularly
23 Annette Porini. Annette and I have sat on dozens and dozens
24 of boards over the last eight years. And I think this is
25 our last official meeting together, because I'm probably not

1 going to be able to hit all the debt meetings on Wednesday,
2 because I'm chairing the OE meeting and it's a
3 constitutional meeting, Annette. So it is particularly a
4 fond farewell that I bid to you. It's just been terrific.
5 And I think we ought to give Annette a round of applause.

6 (Applause.)

7 CHAIRPERSON CONNELL: You know, we oftentimes when
8 we're elected leaders forget and we don't acknowledge the
9 people who work with us, and I want to acknowledge Cindy
10 Aronberg who would have been with me this morning, but she
11 missed the flight that I got on at Burbank. I don't know if
12 she is favored or disfavored in this equation. But she has
13 been a terrific deputy and to the extent that we have been
14 able to add value, a lot of that value has come from her
15 very strong staff work through the years. And I certainly
16 appreciate the work that she has done for me as a deputy on
17 this Lands Commission.

18 I want to thank the Lieutenant Governor for his
19 efforts. And please thank Gray, because I know Gray enjoyed
20 sitting on this commission and I certainly enjoyed working
21 with him. And I don't think there was ever a vote in which
22 we weren't unanimous. Gray and I were always together on
23 every vote, including that awful meeting we had in Santa
24 Monica, if you remember that it went on for hours debating
25 with people on what we were going to do.

1 But it has been a pleasure to serve now with two
2 Governors, to serve with two Lieutenant Governors, and to
3 serve with a handful of Finance Department officials. And
4 I'm trying to remember all of them that sat on the Board.
5 But Annette has been the most significant contributor to
6 this board, and my thanks to all of you.

7 EXECUTIVE OFFICER THAYER: Thank you.

8 ACTING COMMISSIONER GONZALEZ: Ms. Chair, the
9 Lieutenant Governor wants to first of all to express his
10 sincere regret for missing this meeting. As you know, he
11 doesn't like to miss State Land's meetings, but a last
12 minute Regents trustee meeting put him in LA today. So he
13 wanted to make sure that you knew how much he enjoyed
14 working with you and how much respect he has and he thinks
15 that you're a tremendous policymaker and he said just make
16 sure that she knows how well I respected her opinion on
17 things and how much I intend to use her opinion in the
18 future as well, though not to go too far.

19 CHAIRPERSON CONNELL: Oh, that's fine. I can give
20 you the cell number.

21 (Laughter.)

22 CHAIRPERSON CONNELL: But I won't charge a fee.

23 (Laughter.)

24 ACTING COMMISSIONER GONZALEZ: I think he assumed
25 it was free.

1 (Laughter.)

2 CHAIRPERSON CONNELL: Annette, I was trying to get
3 better terms.

4 ACTING COMMISSIONER GONZALEZ: And he wanted to
5 thank you and commend you for your leadership in
6 environmental protection. Specifically, he noted your role
7 in the wetlands restoration at Bolsa Chica and also your
8 work with him to ensure oil platform and pipeline safety
9 throughout California. And he wanted to make sure I
10 delivered this, but he said if you had anything else public
11 he wanted to come deliver it himself.

12 CHAIRPERSON CONNELL: Thank you, isn't that great?

13 (Applause.)

14 CHAIRPERSON CONNELL: I'm going to have to have a
15 huge wall to display all of my plaques. You know, this is
16 really terrific. And, you know, I almost feel guilty the
17 amount of money and time that goes into these, but they are
18 memorable and when you look back at them over the years, it
19 really does reflect the kind of commitment that we've had.
20 And please thank Cruz.

21 ACTING COMMISSIONER GONZALEZ: Absolutely.

22 CHAIRPERSON CONNELL: And maybe we can get
23 together in the new year when he's got a bit more time. He
24 is at the Board of Regents today trying to save the Board of
25 Regents from the dire economic conditions. So we appreciate

1 his absence today. Thank you.

2 ACTING COMMISSIONER PORINI: Controller Connell,
3 let me just say I've had the privilege of sitting on many
4 boards and commissions, as you mentioned, and I've also had
5 the privilege of presenting an award to you at the Franchise
6 Tax Board. So I will be very brief, and I didn't bring
7 another award for you.

8 CHAIRPERSON CONNELL: Thank God.

9 (Laughter.)

10 ACTING COMMISSIONER PORINI: So it saves a tiny
11 bit of wall space.

12 I did want to thank you for all of the work that
13 you've done and your stewardship at State Lands over these
14 last eight years. Your contributions have been significant
15 and they are greatly appreciated.

16 CHAIRPERSON CONNELL: Thank you. And I just want
17 to say a thank you to the environmental community.
18 Sometimes we forget that it's their activism and their
19 energy and their unwillingness to give up that has been so
20 instrumental in pushing us beyond where we thought we could
21 go, whether it was in Bolsa Chica, whether it's been in my
22 own backyard, the Pomona Wetlands, and you know whether it
23 has been in the San Diego Port discussion, whether it's been
24 up in Northern California. And I want to thank them, they
25 have truly been huge supporters of what we've done, not only

1 through the organized groups that we all know, but through
2 the individuals that keep coming forward.

3 And, Lester, don't give up, if you're still in the
4 audience, just keep coming. Because it's the Lester
5 Denevans of the world that keep us honest and keep us
6 straight and keep us trying to remain focused on our
7 objectives. So I thank all of you. Really it's a great
8 honor to have served you.

9 Now we will move to closed session, right. Is
10 that correct?

11 EXECUTIVE OFFICER THAYER: Very good. Yes.

12 Hold it, hold it. We have one more item on the
13 open session.

14 CHAIRPERSON CONNELL: I have neglected one of the
15 public speakers, I have just been informed. I'm sorry, John
16 Williams. John Williams, I am so sorry. In our glee at
17 the celebration, John, I have neglected my official
18 responsibilities. Everyone please be seated once more, it's
19 my error.

20 EXECUTIVE OFFICER THAYER: No, mine I should have
21 remembered.

22 CHAIRPERSON CONNELL: John, go ahead.

23 MR. WILLIAMS: Madam Chair and Members of the
24 Commission, thank you very much for this opportunity to say
25 a few words on behalf of the historic bed of the Yuba River.

1 This is a strip of land 300 acres. It runs across nearly a
2 half a mile directly south of the current bed of the Yuba
3 River. It was considered navigable in 1850, therefore it's
4 state lands. You can see in these pictures that there's a
5 dredge operation just a little bit south of the river. The
6 state lands are in or near that dredger bed and the current
7 course of the Yuba River. Those are massive piles of high-
8 grade gravel that are in that area. That 300 acres is state
9 lands, and the historic bed probably contains ten to twenty
10 million dollars worth of high-grade gravel.

11 In 1979, the State filed a federal court suit to
12 sell the title of that particular, the historic bed of the
13 Yuba River. At the time, everyone thought that particular
14 stretch of land was landlocked and there was no public
15 access to it. And so when the State Lands sought a
16 settlement in 1983, their only goal was to try and help the
17 public gain access to the current bed of the Yuba River. So
18 there was an offer, the State would give up 300 acres of
19 land and the historic bed to the mining companies, in
20 return, the mining companies would only give up 30 acres of
21 land, but that land would have access to the current bed of
22 the Yuba River.

23 The mining companies that signed the settlement in
24 1983, the first company, the head of it went to prison for
25 fraud. The next head of the company went to prison for

1 cocaine trafficking. The company is still under bankruptcy,
2 and the settlements were never finalized over the last 18
3 years.

4 I am a researcher for a group called the Yuba
5 River Access Coalition in Yuba County, several hundred
6 people who have been fighting for public access to the Yuba
7 River.

8 In the intervening years, Yuba County has won a
9 court suit. Now the State of California courts have ruled
10 there is a public road into the Yuba gold fields, and there
11 is now officially public access to the state lands and other
12 federal lands out there. And there's less reason than ever
13 for State Lands to continue with that settlement, and I urge
14 State Lands to reconsider that settlement, and actually
15 consider cancelling it.

16 The mining companies have gone 19 years without
17 finalizing it. Enough is enough. In the intervening time,
18 there is evidence that there has been considerable trespass
19 on those State lands, that the lands have been mined, that
20 the Yuba County Water Agency has run a canal through them,
21 without so much as a buy or lease to the State.

22 This is a very complex topic, I know I don't have
23 much time, so I'm just going to complete it here, and thank
24 you for the opportunity.

25 CHAIRPERSON CONNELL: And again my apologies for

1 not taking this matter up.

2 What is the status of this, Paul? I was just
3 speaking with Annette and we cannot recall our position.

4 EXECUTIVE OFFICER THAYER: I don't think it's been
5 something before the Commission in quite some time, and
6 there have been ongoing negotiations involving not only the
7 entities that Mr. Williams speaks of, but the federal BLM
8 and Corps of Engineers. There are a number of policy
9 objectives that are important here, ranging from the public
10 access that he speaks of, the value of the State's resource,
11 but also the opportunity perhaps to swap some lands around
12 and create even more public recreational opportunities.

13 It's something that started before I started at
14 the Commission, and I don't fully understand all of it. And
15 I think the appropriate thing to do, we just received
16 notification on Friday from Mr. Williams that he would be
17 speaking to you today, is that we go back and speak with the
18 Attorney General's Office that has been extensively involved
19 with this right along and report back to the Commission.

20 CHAIRPERSON CONNELL: Well, in fact, I'd like to
21 take as one of my last actions the responsibility as Chair
22 to suggest that we agendize that, if that would be in
23 harmony with everyone else's thinking.

24 EXECUTIVE OFFICER THAYER: Sure.

25 CHAIRPERSON CONNELL: I think this is very

1 important. I appreciate, Mr. Williams, for you bringing it
2 forward.

3 MR. WILLIAMS: Thank you.

4 CHAIRPERSON CONNELL: As I say, I'm a little
5 uninformed about the specifics here, as I think everyone
6 else is, but this, as I said earlier, this is the way we get
7 our input is from activists who alert us to issues.

8 And I think this does need to be reviewed, Mr.
9 Thayer. So if you would put this on the first agenda of the
10 Lands Commission for next year.

11 EXECUTIVE OFFICER THAYER: We'll do it.

12 CHAIRPERSON CONNELL: That would be appropriate
13 and let them address this matter.

14 Again, Mr. Williams, thank you for coming forward.

15 MR. WILLIAMS. And thank you for the opportunity
16 to speak.

17 CHAIRPERSON CONNELL: So you will now get to come
18 back to Sacramento in our winter season.

19 MR. WILLIAMS: Oh, great.

20 CHAIRPERSON CONNELL: All right. We are now
21 officially in closed session.

22 (Thereupon the meeting of the State
23 Lands Commission was adjourned at
24 12:05 p.m. on December 16, 2002.)

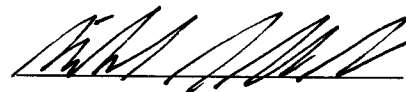
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1 CERTIFICATE OF SHORTHAND REPORTER

2 I, MICHAEL J. MAC IVER, a Shorthand Reporter, do
3 hereby certify that I am a disinterested person herein; that
4 I reported the foregoing State Lands Commission proceedings
5 in shorthand writing; that I thereafter caused my shorthand
6 writing to be transcribed into typewriting.

7 I further certify that I am not of counsel or
8 attorney for any of the parties to said State Lands
9 Commission proceedings, or in any way interested in the
10 outcome of said State Lands Commission proceedings.

11 IN WITNESS WHEREOF, I have hereunto set my hand
12 this 30th day of January 2003.

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18 Michael J. Mac Iver
19 Shorthand Reporter
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