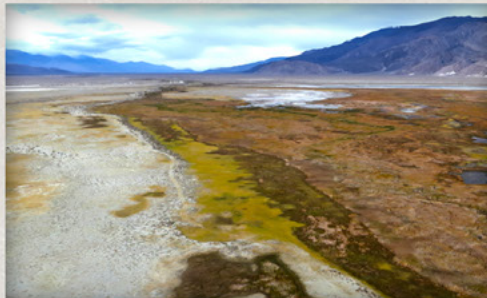


KAPILOFF LAND BANK REPORT

FISCAL YEAR
2017-2018



CALIFORNIA STATE LANDS COMMISSION

KAPILOFF

LAND BANK REPORT

FISCAL YEAR 2017-2018

This report summarizes the status of the Kapiloff Land Bank Fund for fiscal year 2017-18.¹

BACKGROUND

The Kapiloff Land Bank Fund (Fund) enables the Commission to hold money in trust to acquire certain property or to expend for project specific mitigation or restoration projects.² The Fund was created to facilitate real property title settlements and land exchanges as an extension of the Commission's authority under Public Resources Code section 6307. The Commission accepts cash deposits when substitute parcels of equal value are not available for exchange. Money from title settlements may only be expended to purchase outstanding interests in tide and submerged lands, lands that have been or may be converted to wetlands, or adjoining or nearby lands where the public use and ownership of the land is necessary or extremely beneficial for Public Trust purposes.³ The Commission holds the acquired lands as sovereign Public Trust lands with the same legal character as tide and submerged lands.

Money may also be deposited into the Fund to manage and improve real property held by the Commission and to provide open space, habitat for plants and animals, and public access.⁴ If a deposit is made into the Fund for mitigation purposes, the money is subject to a statutory trust that limits its use to the identified mitigation. Any person or entity may donate money into the Fund for projects, whether specified or not, that provide for public access to or management and improvement of real property held by the Commission for open space, plant and animal habitat, and public access.

The Fund is organized into two categories. The first is Title Settlements, which includes money received from title settlements (deposits) and expended on property acquisitions (expenditures). The second category is Special Mitigation and Management Projects and includes money set aside for specific mitigation and management projects. The Fund began the fiscal year with a balance of \$14,364,282. During the fiscal year the fund received deposits of \$1,767,952 and earned interest of \$182,920. The Commission spent \$2,086,878 this fiscal year, mostly on the Bolsa Chica Lowlands Restoration and the Commission's Granted Lands Program, both of which are within the Special Mitigation and Management Projects category. The Fund ended the fiscal year with a balance of \$14,228,276, a net decline of \$136,006. Below is a summary of Fund activity.

¹ This report complies with the annual reporting requirement in Public Resources Code section 8618.

² Public Resources Code sections 8600, *et seq.*

³ Pub. Res. Code §§ 8613 (a), 8625(a).

⁴ Pub. Res. Code §§ 8613(b), 8625.

TITLE SETTLEMENTS

The Title Settlements portion of the Fund began with a balance of \$6,328,764 and ended with a balance of \$7,808,334, a net increase of \$1,479,570. The increase is attributed to \$1,420,000 received from a title settlement completed during the fiscal year (see discussion below) and \$59,570 in interest earned on the Fund balance. Below is a summary of the completed Title Settlement that involved a Kapiloff deposit.

Approved Title Settlements (Deposits)

In February 2018, the Fund received a \$1,420,000 deposit as part of a compromise title settlement and land exchange agreement authorized by the Commission in 2014 and modified in 2015. The agreement was with a private landowner/developer and involved certain property interests in land in and adjacent to the San Gabriel River in the city of Seal Beach, Orange County. For additional information on the agreement, please see the staff report at: ([October 16, 2015, Item 73](#)).

Property Acquisitions (Expenditures)

The Commission did not authorize any property acquisitions during the 2017-18 fiscal year.

SPECIAL MITIGATION AND MANAGEMENT PROJECTS

The Special Mitigation and Management Projects part of the Fund contains money received for specific settlement or mitigation actions. The use of these funds may be limited to specific mitigation or if not specified may be used for public access, acquisitions, management, and property improvement. The Fund began with a balance of \$8,035,518. A total of \$347,952 in deposits was received and \$123,350 in interest was earned. Expenses totaled \$2,086,878. The Special Mitigation and Management Projects ended the fiscal year with a balance of \$6,419,942, a net decrease of \$1,615,576. Notable activity involving this part of the Fund is summarized below.

Bolsa Chica Lowlands Restoration

The Bolsa Chica Lowlands Restoration Project consists of 880 acres of lowlands in Orange County adjacent to the Pacific Ocean and 327 acres of historic wetlands acquired in 1973. Most of the property has been transformed into a full tidal basin, with the remainder into wetlands. The primary source of the original funding was the Ports of Los Angeles and Long Beach, in exchange for mitigation credits necessary for port expansion. A one-time budget augmentation of \$1 million for Bolsa Chica maintenance was included in the Commission's 2017-18 budget. A total of \$1,597,878 was expended during the fiscal year for site management, inlet dredging, environmental monitoring, and minor repairs. Inlet dredging was the largest component, with a cost of \$1,163,000.



Owens Lake

At its February 27, 2018 public meeting ([February 27, 2018, C 81](#)), the Commission reauthorized the use of \$500,000 in Kapiloff Land Bank Funds, deposited by the City of Los Angeles Department of Water and Power as originally authorized by the Commission in December 2010, for any lawful purpose related to Owens Lake or adjacent real property. The Commission accepted the money in 2010 to offset the loss in Public Trust values associated with the City's proposed placement of gravel as a dust control measure on the dry bed of Owens Lake. The Commission received an additional \$700,000 from the City for placement of gravel in August 2015 ([August 19, 2015, Item C 61](#)). The Commission subsequently authorized the expenditure of up to \$249,000 of these funds to hire a consultant to study the City's proposed use of groundwater beneath Owens Lake for dust mitigation purposes ([October 18, 2018, Item C 80](#)).

Granted Lands Program

Local governments that manage granted lands are trustees of the State and must ensure that revenue generated from the use of these lands is used for purposes that further the Public Trust. The Commission is responsible for overseeing granted lands and for ensuring that they are properly managed. Revenue generated on certain granted Public Trust lands is deposited in the Fund to administer the granted lands program. The trustees that are required to deposit revenue into the Fund are the Cities of Newport Beach, Pittsburg, Eureka, and Martinez.⁵ At its June 21, 2018 public meeting, the Commission granted the City of Martinez temporary relief of its obligation to transmit 20 percent of the revenue generated from its granted lands to the State for the fiscal years ending June 30, 2017, and June 30, 2018. A total of \$344,667 was received from the other trustees in the 2017-18 fiscal year and a total of \$454,000 was expended to assist trustees in the management of their Public Trust lands and assets.

Coastal Hazard and Legacy Oil and Gas Well Removal and Remediation Program

On October 10, 2017, the Governor signed SB 44 (Jackson) into law. This law, which took effect on January 1, 2018, authorizes the transfer, upon appropriation in the Budget Act, of \$2 million from tideland oil and gas revenues to the Fund to implement the Commission's coastal hazard and legacy oil and gas well removal and remediation program. This new law also authorizes the transfer, upon appropriation in the Budget Act, of an amount sufficient to bring the unencumbered balance of the Fund to \$2 million for each fiscal year from the 2019-20 fiscal year to the 2027-28 fiscal year to implement this program. The law requires the Commission to do the following within two years:

1. Complete an assessment of legacy oil and gas wells and other coastal hazards along the California coastline, including conducting aerial surveys and dives, and determine high-priority hazards and legacy oil and gas wells to remediate.
2. Survey, study, and monitor oil seepage in state waters and tidelands under the Commission's jurisdiction to determine oil seepage locations, rates, and environmental impacts; and partner with experts to facilitate innovative solutions.

⁵ City of Newport Beach (Chapter 728, Statutes of 1994; Chapter 317, Statutes of 1997); City of Pittsburg (Chapter 422, Statutes of 2011); City of Martinez (Chapter 628, Statutes of 2014); City of Eureka (Chapter 891, Statutes of 2014).



3. In cooperation with the Division of Oil, Gas, and Geothermal Resources (DOGGR), begin the process of remediating improperly abandoned legacy oil and gas wells that have a high risk of leaking oil and are hazardous to public health and safety and the environment.

The \$2 million has been appropriated to the Commission and staff has made progress on Program activities in the six months of fiscal year 2017-18 following enactment of the law. More information on the work conducted by the Commission is contained in a separate report from the Commission to the Legislature, which is attached as Exhibit A to this report.

FUTURE FUND ACTIVITY

The Commission recently authorized two actions to streamline future staff activities. First, in August 2018 the Commission delegated authority to its Executive Office to accept donations and make deposits to the Martins Beach subaccount in the Fund ([August 23, 2018, C 107](#)). This action is in accordance with SB 854 (Committee on Budget and Fiscal Review, Chapter 51, Statutes of 2018), a trailer bill to the Governor's 2018-19 budget that established a subaccount in the Kapiloff Land Bank Fund for money received from public and private sources, including nonprofit sources, for the acquisition and creation of a public access route to and along the shoreline, including the sandy beach, at Martins Beach in San Mateo County. To date, a total of \$1,221.50 in donations has been received. An update will be provided in next year's Kapiloff Land Bank Report.

Second, at its October 2018 public meeting the Commission authorized the expenditure of \$705,252.55 from three Kapiloff Special Mitigation and Management Project subaccounts to remove and dispose of abandoned vessels, marine debris, navigation hazards or obstructions, and derelict structures in the San Francisco Bay Area ([October 18, 2018, C 81](#)). The proposed expenditure is intended to address, among other things, abandoned vessels, marine debris, and dangerous and derelict structures in the Crockett Marine Service marina in the community of Crockett, Contra Costa County and the demolition and disposal of an abandoned vessel known as the Black Kite moored to the historic Ferry Point Pier at Point Richmond, also in Contra Costa County. The Black Kite has been removed, as has the sunken vessel, the Gretchen E, in the Crockett Marine Service marina. More information on these and subsequent actions will be provided in the 2018-19 Kapiloff Land Bank Report.

FUND BALANCE

The balance of the Fund as of July 1, 2018 is summarized below.

FUND BALANCE SUMMARY 07/01/2018

Title Settlements	\$7,808,334
Special Mitigation and Management Projects (see below)	\$6,419,942
Bolsa Chica Lowlands Restoration	\$3,488,825
Granted Lands	\$414
Special Mitigation and Management Projects	\$2,930,703
Total Fund Balance	\$14,228,276

For further information, please contact Colin Connor, Assistant Executive Officer, at colin.connor@slc.ca.gov or (916) 574-1800.

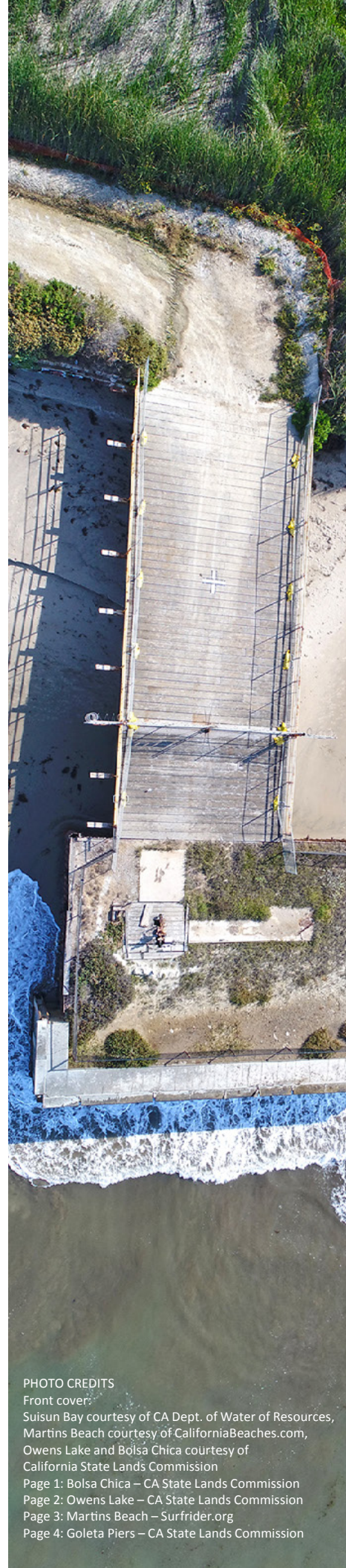


PHOTO CREDITS

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