

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 2
to 0 at its 8-21-79
meeting.

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Childress

25. AGRICULTURAL LEASE

During consideration of Calendar Item 25, attached, Mr. William F. Northrop, Executive Officer, read into the record a letter dated August 13, 1979, from Malcolm R. Morelli, Jr., the highest bidder, to the Commission withdrawing his bid and requesting that his bid deposit be returned. Upon receipt of this letter, Mr. Robert C. Hight, Chief Counsel, contacted Mr. Morelli and advised him that he had in effect offered an anticipatory breach of the contract and invited him to appear at this Commission meeting. Mr. Hight also advised Mr. Morelli that he must forfeit his bond as liquidated damages. Due to the foregoing, Mr. Hight stated it is the staff's recommendation that the Commission authorize the bid to the next highest bidder, Sunset Farms, Inc. Mr. Hight also requested that the Commission instruct staff to solve any differences there may be between the Commission and Sunset as to ownership and improvements of the property. For the record, Mr. Morelli was not present at this meeting.

Commission-Alternate Sheldon Lytton stated he would be willing to reconsider the staff's policy of waiving the bond, but since Mr. Morelli was not present, he would concur with the staff's recommendations.

Mr. Lytton moved that 1) the Commission authorize the execution of the lease with Sunset Farms; 2) authorize staff to negotiate with Sunset any matters pertaining to improvements of the property; and 3) adopt the staff's recommendation that the bond he forfeited pursuant to law and the statements in the bid package.

Chairman Bell called roll and the following vote was recorded:

Mr. Bell - Yes
Mr. Lytton - Yes

Upon motion duly made and carried, the resolution as presented in Calendar Item 25 was adopted by a vote of 2-0.

Attachment: Calendar Item 25.

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WP 5367
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PRC 5367

AGRICULTURAL LEASE

HIGH BIDDER:

Malcolm R. Morelli, Jr.
133 Goss Avenue
Santa Cruz, California 95065

TERMS OF PROPOSED LEASE:

Initial period: 5 years from January 1,
1980.

Consideration:

\$30,420 per annum, established
by sealed bid. The minimum
acceptable bid was determined
by a staff appraisal
to be \$16,750.

Area:

134 acres, more or less.

Use:

Row crop farming.

Insurance:

\$100,000.

Surety bond:

\$1,000.

Land type:

School land.

Location:

Three miles northwest
of Santa Cruz, Santa
Cruz County.

BACKGROUND:

On May 26, 1977, the State Lands Commission
approved the acquisition of 950 acres,
more or less, from Erickson Lumber Company.
The land acquired was encumbered by 3 existing
leases, all scheduled to terminate on
December 31, 1977. Said leases have been
renewed on a year-to-year basis and are
now scheduled to expire on December 31,
1979. The existing tenants were given pre-
ferential treatment in the previous lease
renewals.

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CURRENT SITUATION:

The proposed lease was advertised in a local newspaper of general circulation on July 19 and 26, 1979. A bid package describing the proposed lease was mailed and/or hand delivered to all parties expressing an interest. In order to qualify as a potential lessee, a sealed bid was required. At 2:00 p.m. on August 9, 1979, the sealed bids were opened. The minimum acceptable bid was set at \$16,750 per annum, based upon an appraisal of the typical rental values in the immediate vicinity. All bids received were accompanied by a deposit equivalent to 10 percent of the annual rental. Listed below are the bids received.

NAME	RENTAL/ACRE	RENTAL/YEAR
Malcolm R. Morelli, Jr.	\$227	\$30,420
Sunset Farms, Inc.	\$176.	23,584

Sunset Farms, Inc. is the current lessee and has recently claimed ownership to approximately \$55,000 worth of equipment located on the subject property. The staff has reviewed said claim and feels it is extremely high. The staff is attempting to meet with Sunset Farms, Inc. to discuss this very complicated question.

PERTINENT INFORMATION:

An EIR is not required. This transaction is within the purview of 2 Cal. Adm. Code 2907, Class 1(B) which exempts an existing use for which there is no evidence of record to show injury to adjacent property, shoreline erosion, or other types of environmental degradation.

A portion of this project is situated on State land identified as possessing significant environmental values pursuant to P.R.C. 6370.1, and is classified in a use category, Class B, which authorizes limited use. Staff has coordinated this project with those agencies and organizations who nominated

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the site as containing significant environmental values, and they have found this project to be compatible with their nomination. The remaining portion of this project is situated on lands not identified as possessing significant environmental values. A staff review of available environmental information indicates no reason to identify the subject lands as having such values at this time.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21085, 14 CAL. ADM. CODE 15100 ET SEQ., AND 2 CAL. ADM. CODE 2907.
2. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENT CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1 OF THE P.R.C.
3. DETERMINE THAT MALCOLM R. MORELLI, JR. WAS THE HIGHEST QUALIFIED BIDDER FOR THE 5-YEAR AGRICULTURAL LEASE WITH A BID OF \$30,420 PER ANNUM, HOWEVER HE HAS REFUSED TO EXECUTE THE LEASE AND REQUEST THAT HIS BID BE RETURNED.
4. DETERMINE THAT MALCOLM R. MORELLI HAS FORFEITED HIS BIDDER'S BOND IN THE AMOUNT OF \$3,042 AS LIQUIDATED DAMAGES.
5. DIRECT THE STAFF TO RESOLVE THE CONFLICT WITH THE CURRENT TENANT, SUNSET FARMS, INC., PRIOR TO EXECUTION OF A LEASE ON BEHALF OF THE COMMISSION.
6. AUTHORIZE ISSUANCE TO SUNSET FARMS, INC. OF A 5-YEAR AGRICULTURAL LEASE FROM JANUARY 1, 1980, IN CONSIDERATION OF ANNUAL RENTAL IN THE AMOUNT OF \$23,584, PROVISION OF PUBLIC LIABILITY INSURANCE IN THE AMOUNTS OF \$100,000 COMBINED SINGLE LIMIT COVERAGE, SURETY BOND FOR \$1,000 FOR ROW CROP FARMING.
7. REQUIRE THAT THE LEASE DOCUMENT SHALL NOT BE EXECUTED ON BEHALF OF THE COMMISSION UNTIL THE HIGHEST QUALIFIED BIDDER HAS SUBMITTED THE REQUIRED DOCUMENTATION AND HAS COMPLIED WITH ALL THE RULES AND REGULATIONS OF THE COMMISSION.

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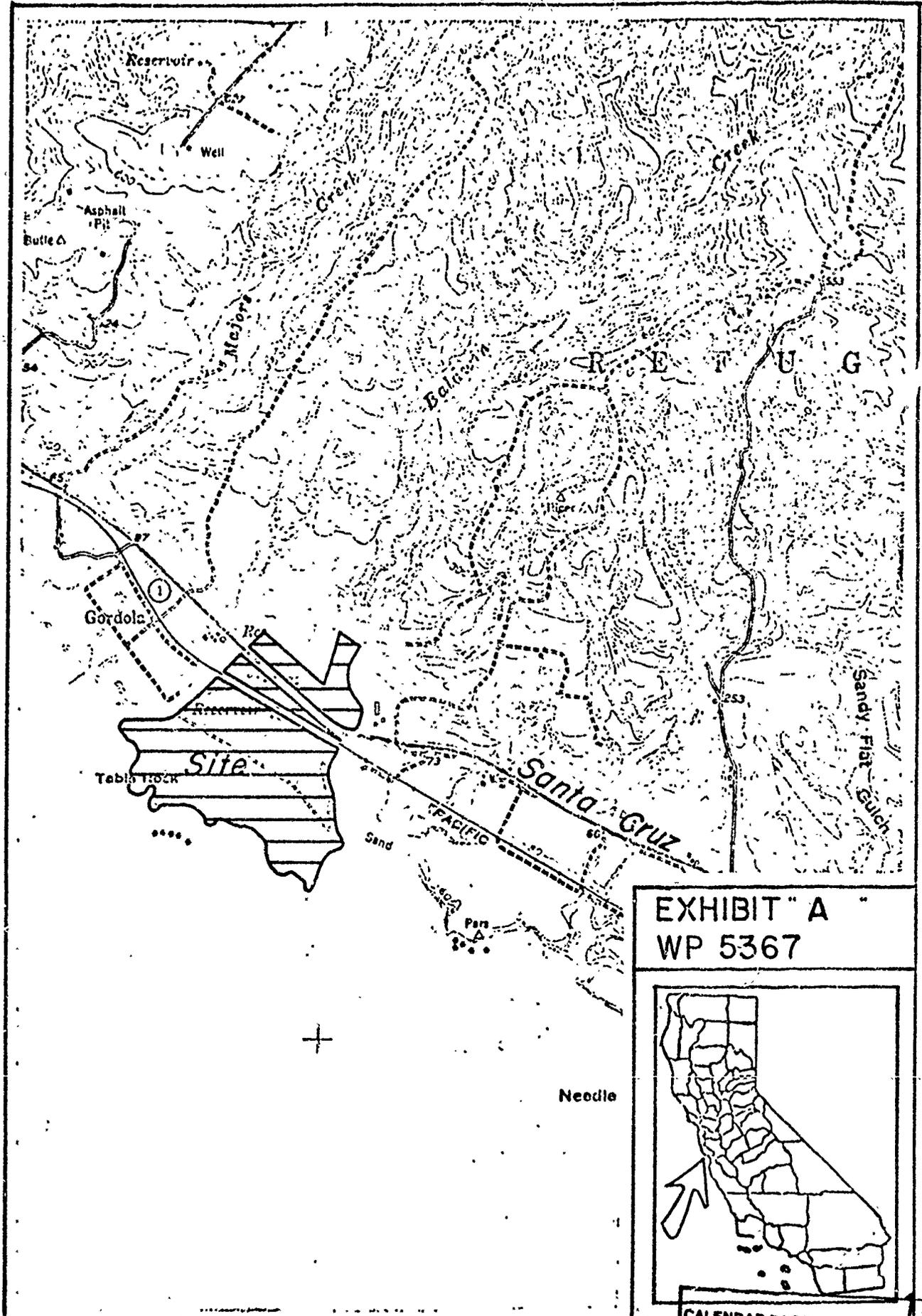


EXHIBIT "A"
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