MINUTE ITEM
This Calendar Item No. C7
was approved as Minute Item
No. 7 by the State Lands
Commission by a vote of 3
to 0 at its 1-21-88
meeting.

CALENDAR ITEM

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PRC 5928
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APPROVAL OF AN AMENDMENT TO LEASE NO. PRC 5928

APPLICANT: Mel Wolf
2755 Spokane Way
Carlsbad, California 92008

AREA, TYPE LAND AND LOCATION:
A 64 -acre parcel of school land, located near Twenty-Nine Palms in San Bernardino County.

LAND USE: Experimental Jojoba cultivation.

TERMS OF ORIGINAL LEASE:
Initial period: 25 years beginning November 1, 1980.

Public liability insurance: Combined single limit coverage of $300,000.

Special: Lessee will not disturb ground which is not to be put under immediate cultivation or development, and at the State's option, will revegetate or otherwise mitigate such disturbance, and will leave well casings and well safely capped and intact, upon termination or expiration of this lease. Lessee will provide annual reports of income, expense and development.

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CONSIDERATION: $550 per annum; for first five years with the State reserving the right to fix a different rental on each fifth anniversary of the lease. This initial consideration is based on the minimum for an industrial lease.

For the sixth through the tenth years, the annual rental shall be based on the Administrative Code percentage of land value for all land under cultivation or development for four years or more, plus $225 for all remaining (undeveloped) land on the leased parcel. In the 6th year the area planted in year one will be subject to fair rent, in the seventh year the area planted in year two will be picked up and so on through the lease term.

From the eleventh anniversary on, the entire leased parcel will bear the full Administrative Code percentage of land value as rental.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Adm. Code: Title 2, Div. 3; Title 14, Div. 6.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

   Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

BACKGROUND:

On December 16, 1980, in response to the Governor's policy to develop energy crops in California, the Commission approved an Experimental Agricultural Lease for Jojoba cultivation on 640

acres of school land. Due to the experimental nature of jojoba cultivation as an agricultural crop, the lessee decided to plant 120 acres a year for four years. This allowed the lessee to evaluate techniques and methods developed for jojoba and apply the successful ones to subsequent plantings.

Since it was anticipated that a commercially harvestable crop would not occur until five years into the lease, a rental structure was adopted whereby the annual rental would be $550 for the first five years. Thereafter the rental would be set by a formula based on the market value of the raw land and the amount of land disturbed by the lessee.

On September 26, 1985, the Commission approved the setting of a new rental schedule for the next five years. The existing rental of $550 per annum was changed to $4,905 for the sixth and seventh year, $9,225 for the eight year, $13,545 for the ninth year, and $22,185 for the tenth year.

Due to unexpected delays and other setbacks, the first commercial harvest was delayed until 1986. As the 1986 crop developed it became apparent that earlier frost damage reduced the expected yield to the point where it would not be cost effective to harvest.

Due to the economic hardship resulting from the increased rental which would have been offset by revenue generated from the first crop, the lessee requested that the rental be temporarily reduced to $550 (the amount he paid for the first five years of the lease) for the period of November 1, 1986 to October 31, 1987.

On December 23, 1986, the Commission approved a one-year reduction of the rental for the seventh year of the lease term to $550.

CURRENT SITUATION:

Due to frost damage, lower than anticipated yields and the high cost of hand harvesting, the 1987 jojoba bean crop was uneconomic to harvest. The lessee has not received any positive cash flow from his capital investment in this project.

The lessee has asked for relief from the rental schedule that was predicated on income from crop harvests occuring in the sixth year of the project. The lessee is embarking on a program of replacing frost damaged and plants of low productivity with genetically superior cuttings from frost resistant and higher seed yield stock. An adjusted rental schedule would allow additional capital to be invested into this program, thereby increasing the chances for success of the jojoba project.

The lessee and staff have agreed to a revised rental schedule which will extend by two years the period whereby lessee has to complete his phased development of the parcel before the full market rental based upon the full 640-acre parcel would be required.

The lessee expects to be able to harvest the next year's crop as well recover a portion of the seed on the ground from this year's crop and generate a cash flow.

The lessee has paid his rents promptly in the past and has proceeded in a responsible manner in his use of the lease premises. Also the lessee has made a substantial capital investment on this project.

Therefore due to the experimental nature of this project, the Commission's expressed policy to develop the income generating potential of school lands, and the good faith evidenced by the lessee's capital investment, Staff recommends that a Lease Amendment be executed providing that the rental schedule approved September 26, 1985, be deleted in its entirety and the following schedule be inserted:

Year 8	$4,905
Year 9	$4,905
Year 10	$9,225
Year 11	$13,525
Year 12	$22,185

All other terms and conditions to remain unchanged.

EXHIBITS: A. Land Description.
B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.

2. APPROVE SETTING THE NEW ANNUAL RENTAL FOR PRC 5928 AS FOLLOWS:

Year 8	$4,905
Year 9	$4,905
Year 10	$9,225
Year 11	$13,525
Year 12	$22,185

3. ALL OTHER TERMS AND CONDITIONS OF LEASE PRC 5928 REMAIN UNCHANGED.

EXHIBIT "A"

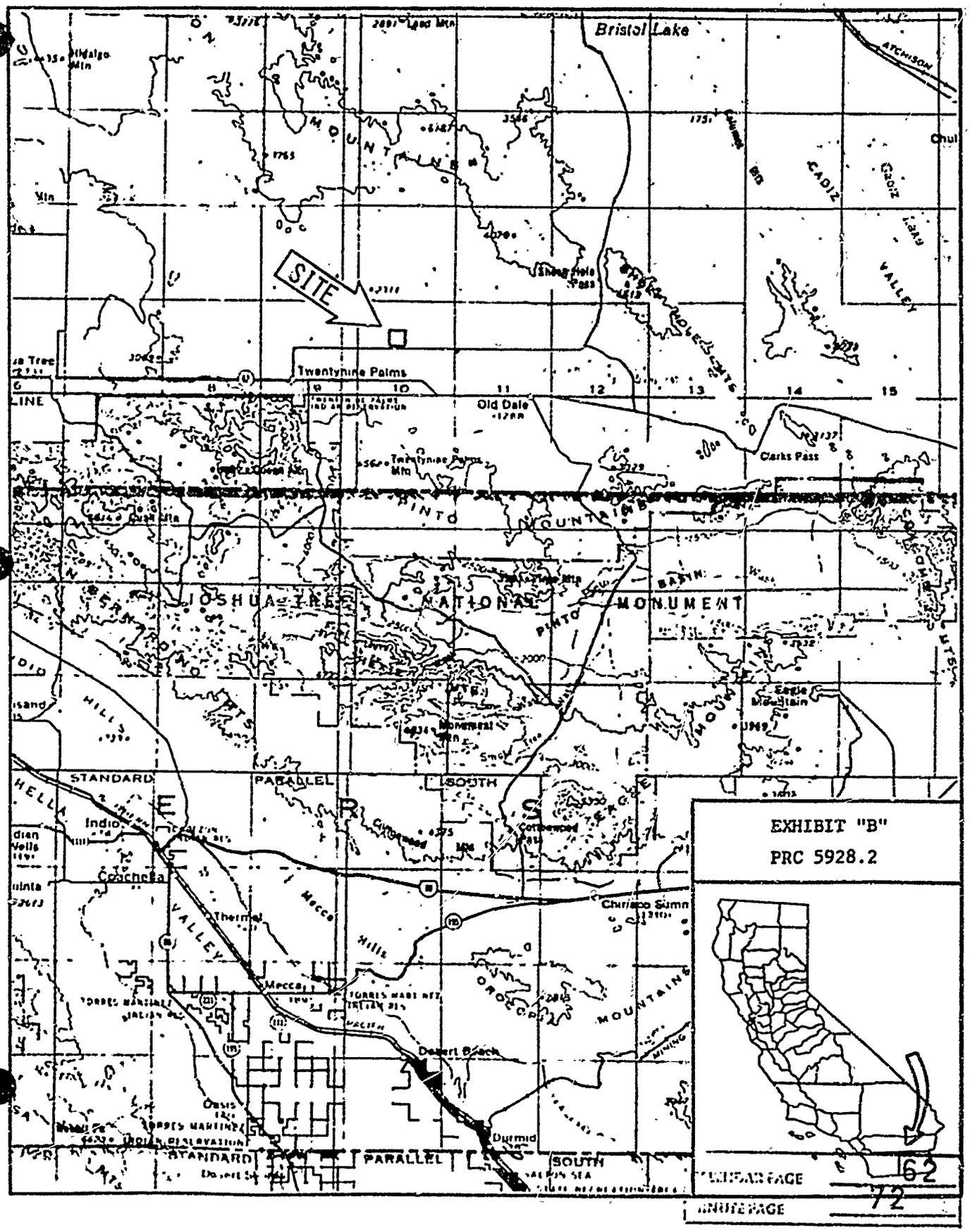
LAND DESCRIPTION PRC 5928.2

A parcel of California State school lands in San Bernardino County, California, described as follows:

Section 16, T1N, R10E, SBM

END OF DESCRIPTION

REVIEWED NOVEMBER 19, 1986, BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.


Bristol Lake
ATCHISON
SITE
Twentynine Palms
Old Dale
Clarks Pass
PINTO MOUNTAINS
JOSHUA TREE NATIONAL MONUMENT
Eagle Mountain
STANDARD PARALLEL SOUTH
Indio
Coachella
Thermal
Mecca
Mecca Hills
Chiriaco Summit
Desert Beach
Durmid
Oasis
TORRES MARTINEZ INDIAN RESERVATION
SALTON SEA
CADIZ VALLEY
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