

MINUTE ITEM

This Calendar Item No. C92 was approved as Minute Item No. 92 by the California State Lands Commission by a vote of 3 to 0 at its 4-24-01 meeting.

**CALENDAR ITEM
C92**

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04/24/01
W 25665
J. Trout
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SCHOOL LAND BANK INVESTMENT STUDY

PARTY:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

BACKGROUND:

The State Lands Commission, acting as the Trustee for the School Land Bank Fund (the Fund), is charged with management and investment of the Fund pursuant to the School Land Bank Act. (Division 7.7 PRC, Chap. 879/84, 248/86). Revenues from the sale of State school land (land granted to the State by the federal government as a source of money to help provide for a free public school system) are deposited in the Fund. The Trustee (Commission) has the exclusive jurisdiction to administer and invest the Fund. Trust beneficiary is the State Teachers Retirement System. On July 1, 2000 the Fund contained \$34,680,000 available for investment. Section 8702 of the Public Resources Code states that the Commission is to "...plan and implement all transactions, ...which would facilitate the management of the school land interests for revenue generating purposes." One of the methods for revenue generation is the purchase and management of commercial real estate.

PROPOSED ACTIVITY:

Several state agencies have expressed an interest in consolidating a number of separate office locations in the general Eureka/Arcata area of Humboldt County. They have approached Commission staff with the concept of leasing office space in a Commission purchased and/or built building using the resources of the Fund. All costs would be capitalized with a market rate of return on the investment and repaid through rental payments from the tenant departments.

A proposal to acquire a suitable office facility, or in the alternative to purchase a site and construct such a building, may have merit to produce revenue for the Fund and its beneficiaries. The Departments of Conservation, Forestry & Fire Protection and Fish and Game, as well as the Coastal Commission, are among those who potentially would lease space in such a property. These units of State government are all within the

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sphere of the Resources Agency. In order to test the merit of this proposal staff recommends that a feasibility report be prepared to estimate: the cost of acquiring or constructing a facility of adequate size for the potential occupants, the on-going maintenance costs and the rental rate required to produce a market rate of return on the investment.

A feasibility study of the type contemplated will cost \$30,000 according to the Department of General Services, Real Estate Services Division. If the feasibility report appears favorable, a detailed economic analysis would be undertaken. This is estimated to cost \$25,000. All work will be performed by the Real Estate Services Division.

STATUTORY AUTHORITY:

- A. Public Resources Code Section 6106 (Delegation to execute written agreements)
- B. Public Resources Code Division 7.7 (School Land Bank Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION FIND:

1. FIND THAT THESE ACTIVITIES ARE EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL CODE REGS. 15061 BECAUSE THESE ACTIVITIES ARE NOT PROJECTS AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL CODE REGS. 15378.
2. CONSIDER A STUDY OF A SCHOOL LAND BANK INVESTMENT IN AN OFFICE FACILITY IN THE EUREKA/ARCATA AREA TO BE OCCUPIED BY STATE AGENCIES UNDER TERMS OF A LEASE TO BE ISSUED BY THE COMMISSION.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE AN AGREEMENT IN AN AMOUNT NOT TO EXCEED \$55,000 WITH THE REAL ESTATE SERVICES DIVISION OF THE DEPARTMENT OF GENERAL SERVICES, TO UNDERTAKE A FEASIBILITY STUDY OF INVESTING IN AN OFFICE FACILITY IN THE EUREKA/ARCATA AREA, AND IF THE STUDY DEMONSTRATES SUCH A FACILITY IS FEASIBLE, TO UNDERTAKE A DETAILED ECONOMIC ANALYSIS OF THE PROJECT.

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