

**CALENDAR ITEM  
C70**

A	29	08/15/14
		W 26781
		K. Foster
S	17	J. Rader

**CONSIDER A COMPROMISE TITLE SETTLEMENT AND LAND EXCHANGE  
AGREEMENT BETWEEN THE CALIFORNIA STATE LANDS COMMISSION,  
JEFFERSON HOME RANCH PARTNERSHIP I, L.P, JEFFERSON AND SONS, LLC,  
AND, CLAUDE HOOVER RESOLVING TITLE TO CERTAIN REAL PROPERTY  
LOCATED IN AND ADJACENT TO THE SALINAS RIVER, MONTEREY COUNTY**

**PARTIES:**

State of California, acting by and through, the State Lands Commission

Jefferson Home Ranch Partnership I, L.P.

Jefferson and Sons, LLC

Claude Hoover

The parties to the proposed "Compromise Title Settlement and Land Exchange Agreement Regarding Certain Interest in Lands in the Vicinity of the Salinas River, County of Monterey, California" (Agreement), are the State of California, acting by and through the California State Lands Commission (Commission), and the Jefferson Home Ranch Partnership I, L.P., Jefferson and Sons, LLC, and, Claude Hoover, a married man, as his sole and separate property, (collectively referred to as "Jefferson"). The above are collectively referred to herein as "Parties."

The purpose of the Agreement is to settle a title dispute concerning certain lands (Subject Property). The purpose of the Agreement is also to confirm and establish the location of lands held by the Commission and subject to the common law Public Trust Doctrine (Public Trust Parcel) and lands free of all sovereign claims held by Jefferson (Trust Termination Parcel). Pursuant to the Agreement, at the Subject Property, the Commission will quitclaim any sovereign interest landward of the riverside toe of the levee to Jefferson in exchange for Jefferson quitclaiming any interest in the land waterward of the riverside toe of the levee and granting a ten-foot (10') wide public access easement on top of the levee and down the river beach access road to the Commission.

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The Subject Property includes approximately 520.24 acres of land commonly known as Jefferson Ranch, located east of Highway 1, north of Charles Benson Road and south of the Salinas River. The Trust Termination Parcel and the Public Trust Parcel, including the public access easement, are shown for reference purposes on Exhibit A.

Specifically, the key terms of the proposed Agreement provide that:

1. Jefferson will quitclaim any interests in the Public Trust Parcel to the Commission.
2. The Commission will quitclaim any interests in the Trust Termination Parcel to Jefferson.
3. Jefferson will grant a public access easement to the Commission that will run along the top of the levee and follow the river access road down to the river beach park, which will not open until the Commission has found an entity to manage said easement and said easement connects to other land with legal public access.
4. Jefferson will deposit \$300,000 into the Kapiloff Land Bank Fund pursuant to Public Resources Code sections 8600 *et seq.*
5. Mineral interests in the Subject Property are being exchanged as part of the Agreement.

**BACKGROUND:**

Upon its admission to the United States of America on September 9, 1850, the State of California (State), by virtue of its sovereignty under the Equal Footing Doctrine of the Constitution of the United States, received in trust for the people of California all right, title, and interest in previously ungranted tidelands and submerged lands within its boundaries for certain public trust purposes, including but not limited to commerce, navigation and fisheries.

The Subject Property includes lands located within the 2,220-acre Mexican land grant *Rancho Rincon de las Salinas (Rancho Rincon)*, which had been granted to Rafael Estrada by the Mexican Governor Jose Figueroa prior to the transfer of California from Mexico to the United States. In accordance with the United States' obligations under the Treaty of Guadalupe-Hidalgo that concluded the Mexican-American War, the United States Congress passed the "Act of March 3, 1851" that set up a comprehensive claims settlement procedure. This procedure required those that claimed ownership under a Mexican land grant to present their claim to a federal board. If the claim could be proved, the federal government issued a federal patent. *Rancho Rincon* was subsequently surveyed by the United States in 1860, confirmed by the United States

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District Court for the Southern District of California (S.D. #215) and patented by the United States on March 1, 1881 to Rafael Estrada.

In 1890, the California Supreme Court issued an opinion in the case of *James Martin v. J.B.H. Cooper* (1890) 87 Cal. 97, a quiet title action between the owners of *Rancho Rincon* and *Rancho Bolsa del Potrero y Moro Cojo* or *La Sagrada Familia* (*Rancho Bolsas*) involving lands located to the north, across the Salinas River from the Subject Property. At issue was the effect the movement of the Salinas River had on title. The question in the litigation, the movement of the Salinas River between the two ranchos, is the specific area where the Commission derives its claim today. The trial court had fixed the boundary between the two ranchos based on a survey performed by the owner of Rancho Rincon, Jefferson's predecessor-in-interest. The Supreme Court reversed the trial court's decision, finding that there was not sufficient evidence to support the trial court decision and advised the parties that the matter "[was] evidently a proper case for a compromise, but neither the court nor the surveyors can make a compromise for the parties which they will not make for themselves."

All surveys completed subsequent to the litigation show the Salinas River in more or less its current configuration. This is likely because of the presence of levees on both sides of the river throughout the area, the Nacimiento Dam constructed upriver from the Subject Property, and the tidal gates constructed downriver from the Subject Property. The result of the construction of the Nacimiento Dam and the tidal gates has been to further alter the flow of the Salinas River such that it is no longer in a state of nature.

In the 1960s, Jefferson's predecessor-in-interest contacted the Commission about resolving the title and boundary disputes at the Subject Property. Significant time was invested by all parties in reviewing the title and boundary evidence and in reaching an accord. This prior agreement included a third party and required that third party to quitclaim certain lands within the Subject Property to Jefferson's predecessor-in-interest before Jefferson's predecessor-in-interest could quitclaim its interests to the Commission. However, as a result of a variety of factors unrelated to the substance of that proposed agreement, the third party quitclaimed its lands to Jefferson's predecessor-in-interest, but the second phase involving the Commission portion of the agreement was not consummated. The matter was closed in the early 1970s. In 2013, Jefferson again approached the Commission about resolving the outstanding title and boundary disputes at the Subject Property.

Currently, the Subject Property, which is used for a commercial farming operation known as the Jefferson Ranch, is separated from the Salinas River by a levee that varies along its length from 20 to 90 feet wide. There is a private road located on top of the levee that is used by Jefferson for farm operations, such as property inspection,

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employee parking, and machinery storage. Between the levee and the Salinas River, riparian habitat exists that is minimally maintained. However, the riparian habitat opens up at one point to a clearing with a concrete pad and small pier that Jefferson and its employees have used as a private park. Jefferson will remove the pier prior to transferring the land to the State.

**LEGAL REQUIREMENTS:**

Pursuant to Public Resources Code section 6307, the Commission is authorized under certain limited circumstances to terminate the State's public trust interests and enter into a compromise title settlement and land exchange agreement. The Commission, in order to comply with Article X, Section 3 of the California Constitution and to approve the proposed Agreement, must make the following requisite findings pursuant to Public Resources Code section 6307:

- (1) The exchange is for one or more of the following purposes:
  - a. To improve navigation or waterways;
  - b. To aid in reclamation or flood control;
  - c. To enhance the physical configuration of the shoreline or trust land ownership;
  - d. To enhance public access to or along the water;
  - e. To enhance waterfront and nearshore development or redevelopment for public trust purposes;
  - f. To preserve, enhance, or create wetlands, riparian or littoral habitat, or open space; and/or
  - g. To resolve boundary or title disputes.
- (2) The lands or interests in lands to be acquired in the exchange will provide a significant benefit to the public trust;
- (3) The exchange does not substantially interfere with public rights of navigation and fishing;
- (4) The monetary value of the lands or interests in lands received by the trust in exchange is equal to or greater than that of the lands or interests in land given by the trust in exchange;
- (5) The lands or interests in land given in exchange have been cut off from water access and are in fact no longer tidelands or submerged lands or navigable waterways and are relatively useless for public trust purposes; and
- (6) The exchange is in the best interest of the state.

Further, the Commission may release the mineral rights in the lands or interests in lands given in an exchange if it obtains the mineral rights in the lands or interests in lands it receives in exchange.

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**ANALYSIS AND STAFF RECOMMENDATION:**

Commission staff analyzed all the evidence available concerning the site in question, including the title history, title reports, historic use reports, surveys, survey instructions, maps, applicable case law and other useful information in order to determine the best evidence of the location of the boundary between State sovereign lands and Jefferson-owned uplands. Staff then relied on the best evidence of the historic location of the Salinas River and the existing evidence documenting the extent to which and reason why the Salinas River changed its course at the location of the Subject Property. This evidence serves as the basis for the proposed compromise title settlement and land exchange. Commission staff also conducted an independent analysis of the Subject Property, including reviewing appraisals, environmental documents, including a Phase 1 environmental assessment, and other relevant documents.

Staff recommends the Commission approve the proposed Agreement for several reasons. The approval of this Agreement will settle a long-standing title dispute at the Subject Property. An earlier resolution was attempted in the 1960s and '70s. However, that earlier agreement was not completed.

The Subject Property has been used for agricultural purposes for over a century. Jefferson intends to continue the agricultural operations, which is the reason that Jefferson will be building a fence, on its own property and at its own expense, at the time the public access easement is opened. Such a fence is required in order to protect the agricultural operations. The State's claim is to a portion of the former Salinas River that is now located within the agricultural operations and is indistinguishable from said operation. Releasing the State's interest from these lands as proposed in the Agreement will not substantially interfere with the public rights of navigation or fishing because these lands have been filled and reclaimed and have long since cut off from navigable waterways. Therefore, they are relatively useless for public trust purposes.

However, the lands that the Commission will be receiving as part of this Agreement will provide a significant benefit to the public trust. The Public Trust Parcel is located adjacent to and extends to the center line of the Salinas River. It includes a small private park that is accessed by a dirt road. The park is improved with a small concrete pad and pier. The Agreement provides for the removal of the pier by Jefferson prior to close of escrow. The Agreement also provides for an access easement along the top of the levee, looping down the dirt road, to the river park. For liability and maintenance reasons, the public access easement will not be opened until the Commission has located a government agency or other appropriate entity to manage the public access easement and until it connects to other property with legal public access, either a public parking area or a public trail.

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In the interest of settlement, the Parties have conducted independent studies and evaluations of their respective factual and legal positions relating to the disputed title and boundary claims. Appraisals and property interest evaluation studies reviewed and completed by Commission staff have shown that the monetary value of the lands, in addition to the \$300,000 being deposited into the Kapiloff Land Bank Fund, pursuant to Public Resources Code sections 8600 *et seq.*, and interests to be exchanged into the Public Trust under this Agreement is equal to or greater than the monetary value of the lands and interests to be exchanged out of the Public Trust.

Since litigation of this matter would likely be extremely protracted and costly with uncertain results, the Parties to the Agreement consider it expedient, necessary, and in the best interests of the State and Jefferson to resolve this dispute through a title settlement and land exchange agreement thereby avoiding the substantial costs and uncertainties of litigation.

As described in the preceding paragraphs, the facts support each of the necessary findings the Commission must make, including that this Agreement is in the best interests of the state. Commission staff and the Attorney General's Office have reviewed the proposed Agreement and believe all necessary legal elements have been met. Staff therefore recommends that the Commission approve the Agreement, in substantially the form on file at the Commission's Sacramento Office and authorize its execution and the execution and recordation of all documents necessary to implement it.

**OTHER PERTINENT INFORMATION:**

1. The State, acting by and through the Commission, is authorized under Division 6 of the Public Resources Code, and specifically pursuant to section 6307 of such code, to enter into title settlement and land exchange agreements.
2. Pursuant to section 8600 *et seq.* of the Public Resources Code, the Commission has the authority to receive part of the consideration in a title settlement in monetary payments that are subject to a statutory trust limiting their use exclusively to the purchase of interests in a Kapiloff Land Bank Fund parcel.
3. The staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a statutorily exempt project. The project is exempt because it involves settlement of title and boundary problems.

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Authority: Public Resources Code section 21080.11 and California Code of Regulations, Title 14, section 15282, subdivision (f).

4. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370, et seq., but such activity will not affect those significant lands. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

**EXHIBIT:**

- A. Jefferson Ranch Location and Site Map

**IT IS RECOMMENDED THAT THE COMMISSION:**

**CEQA FINDINGS:**

**Title Settlement and Land Exchange Agreement:**

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15061 as a statutorily exempt project pursuant to Public Resources Code section 21080.11 and California Code of Regulations, Title 14, section 15282, subdivision (f).

**SIGNIFICANT LANDS INVENTORY FINDING:**

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code section 6370, et seq.

**AUTHORIZATION:**

1. Find that, with respect to the proposed Compromise Title Settlement and Land Exchange Agreement :
  - A. The Public Trust Parcel provides significant benefits to the public trust by enhancing public access to the Salinas River.
  - B. The exchange provided for in this Agreement does not substantially interfere with public rights of navigation and fishing, but rather will enhance the public's rights of access and navigation on the Public Trust Parcel and adjacent trust lands.

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- C. The monetary value of Jefferson's interest in the Public Trust Parcel to be conveyed to the State, in addition to the \$300,000 to be deposited in the Kapiloff Land Bank Fund, is equal to or greater than the value of the State interest in the Trust Termination Parcel to be quitclaimed by the State to Jefferson.
  - D. The State's interest in the Trust Termination Parcel being relinquished by the State, is a relatively small parcel, cut off from water access and no longer in fact tidelands or submerged lands or the bed of a navigable waterway, by virtue of being filled or reclaimed, and is relatively useless for public trust purposes.
  - E. This Agreement is in the best interests of the state by resolving a long standing boundary and title dispute at no expense to the State and enhancing public access to and along the Salinas River.
  - F. This Agreement shall release any and all public trust claims from the Trust Termination Parcel that is being released by the State to Jefferson and shall impose the public trust onto the Public Trust Parcel that is being received by the State from Jefferson.
  - G. The exchange provided for in this Agreement is to enhance public access to and along the water and to resolve boundary or title disputes.
  - H. It is the intent of this Agreement that, to the extent that there are mineral rights present in either parcel, those rights shall be transferred with the corresponding surface estate.
2. Find that the lands to be conveyed to the State of California, acting by and through the Commission, are to be accepted as public trust lands for the benefit of the people of the State of California, to be held by the State of California for public trust purposes.
  3. Approve and authorize the execution, acknowledgment, and recordation of the Compromise Title Settlement Agreement and Land Exchange and associated lease, deeds and acceptances on behalf of

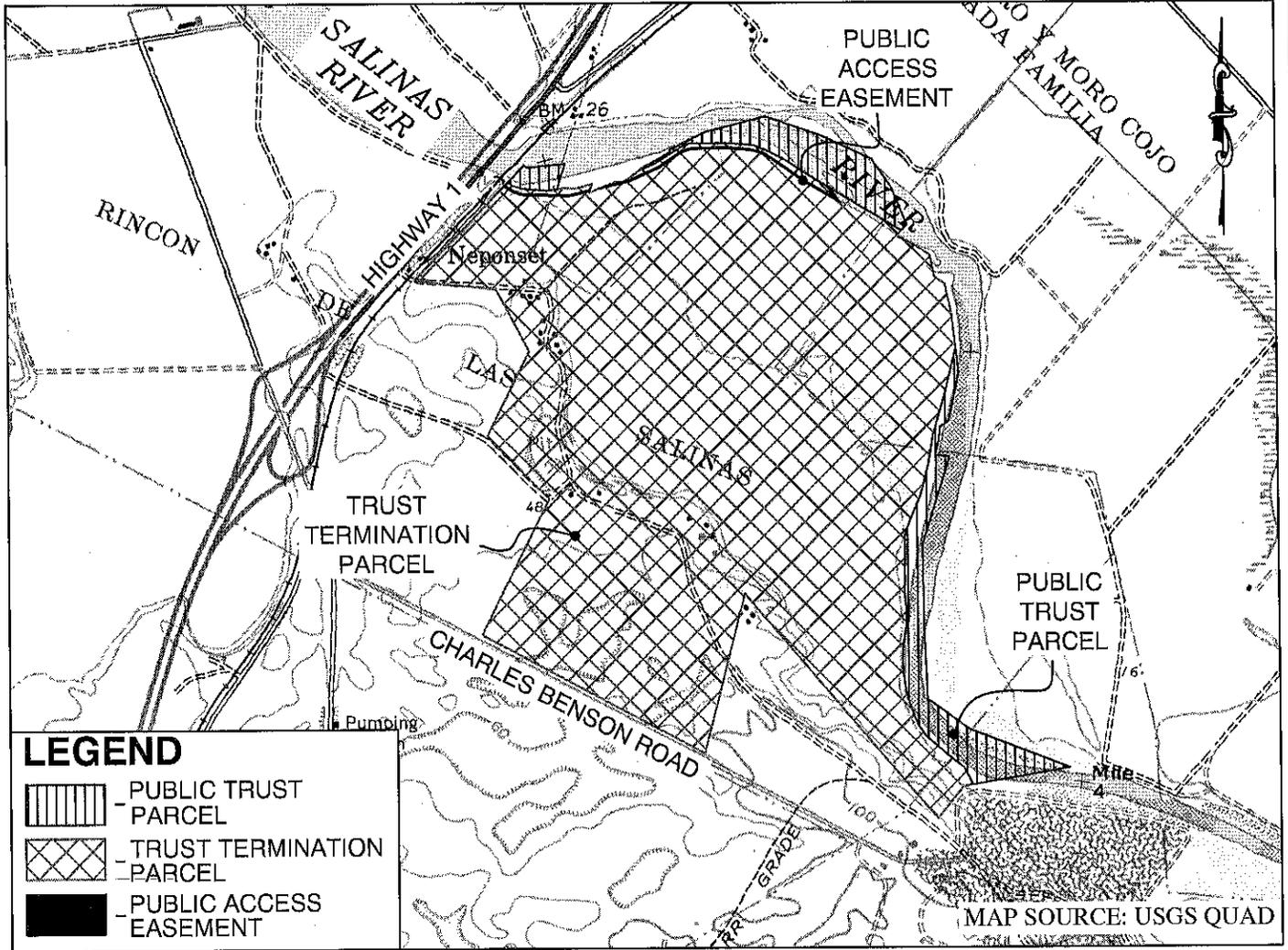
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the Commission, in substantially the form of the copy of such agreement on file with the Commission.

4. Authorize and direct the staff of the Commission and/or the California Attorney General to take all necessary or appropriate action on behalf of the California State Lands Commission, including the execution, acknowledgment, acceptance, and recordation of all documents as may be necessary or convenient to carry out the Compromise Title Settlement and Land Exchange Agreement; and to appear on behalf of the Commission in any legal proceedings relating to the subject matter of the Agreement.
5. Authorize the deposition of \$300,000 into the Kapiloff Land Bank Fund to be used for future property acquisitions.

NO SCALE

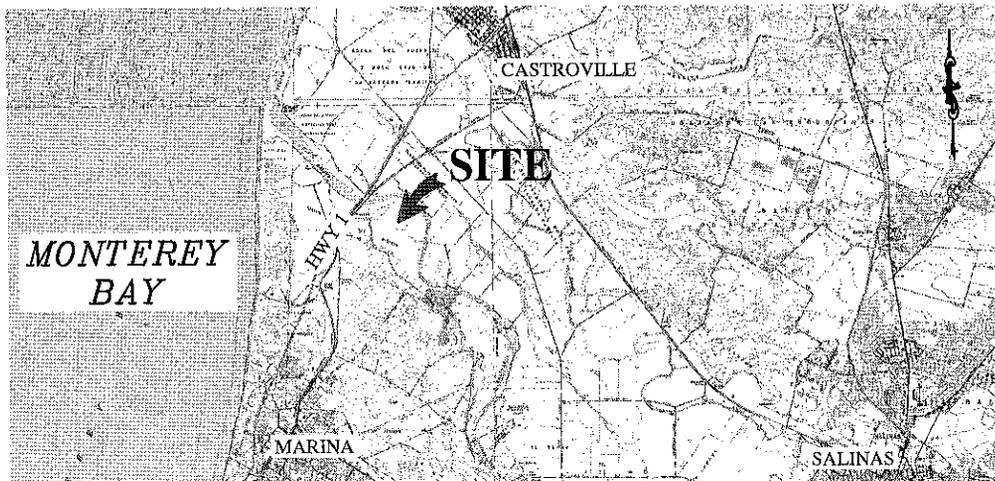
# SITE



## JEFFERSON RANCH

NO SCALE

# LOCATION



MAP SOURCE: USGS QUAD

# Exhibit A

W 26781  
 JEFFERSON/HOOVER  
 TITLE SETTLEMENT  
 MONTEREY COUNTY



JWP 08/07/14

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.