



KAPLOFF LAND BANK REPORT



CALIFORNIA DEPARTMENT OF WATER RESOURCES



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CALIFORNIA STATE LANDS COMMISSION

FISCAL YEAR 2016-2017
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STATE LANDS
COMMISSION

KAPILOFF LAND BANK REPORT FISCAL YEAR 2016-2017

This report summarizes the status of the Kapiloff Land Bank Fund for fiscal year 2016-17.¹

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 and on other 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 for management and improvement of 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 limiting 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 monies received from title settlements (deposits) and expended on property acquisitions (expenditures). The second category is Special Mitigation and Management Projects and includes monies set aside for specific mitigation and management projects. The Fund began the fiscal year with a balance of \$15,602,094. During the fiscal year the fund received deposits of \$453,099 and earned interest of \$109,577. The Commission spent \$1,800,488 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 \$14,364,282, a net decline of \$1,237,812. 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 \$6,277,684 and ended with a balance of \$6,328,764, a net increase of \$51,080. The increase is attributed to monies received from a title settlement completed during the fiscal year (see discussion below) and \$46,580 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 August 2016, the Fund received a \$4,500 deposit for a title settlement and exchange agreement that occurred in 1998. The agreement was with a private landowner and involved sovereign land in the South Fork of the Kings River in Kings County. The Agreement was fully executed in 2004 and placed into escrow, but escrow did not close and the documents were lost. New documents were re-executed and escrow closed in June 2016. For additional information on the 1998 title settlement and exchange, please see the staff report at: [June 19, 1998, Calendar Item 101](#).

Property Acquisitions (Expenditures)

The Commission did not authorize any property acquisitions during the 2016-17 fiscal year.

SPECIAL MITIGATION AND MANAGEMENT PROJECTS

The Special Mitigation and Management Projects part of the Fund contains monies 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 improvement of property. The Fund began with a balance of \$9,324,410. A total of \$448,599 in deposits was received and \$62,997 in interest was earned. Expenses totaled \$1,800,488. The Special Mitigation and Management Projects ended with a balance of \$8,035,518, a net decrease of \$1,288,892. Notable activity within 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. No outside funding was received during the year. A total of \$1,284,858⁶ was expended during the fiscal year for site management, environmental monitoring, minor repairs, and inlet dredging.

⁵ Pub. Res. Code § 6213.5.

⁶ This amount includes \$879,612 for inlet dredging performed in the 2015-16 fiscal year but paid in the 2016-17 fiscal year.

Granted Lands Program

Local governments that manage granted lands are trustees and must ensure that revenue generated from the use of these lands is used for purposes that further the Public Trust. The Commission, however, 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 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.⁷ A total of \$448,599 was received in the 2016-17 fiscal year and a total of \$515,630 was expended to assist trustees in the management of their Public Trust lands and assets.

FUTURE FUND ACTIVITY

On October 10, 2017, the Governor signed SB 44 (Jackson) into law. This law, which takes 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 its 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 Land Bank Fund to \$2 million for each fiscal year from the 2019-20 fiscal year to the 2027-28 fiscal year to implement this program.

Work to be conducted in fiscal year 2018-19 includes completing an inventory of legacy oil and gas wells in the coastal zone, removing previously-identified coastal hazards, identifying new coastal hazards, and preparing a Programmatic Environmental Impact Report (EIR) to use for legacy well removal and remediation. Successive year work includes prioritizing leaking legacy well remediation, regular removal of coastal hazards that are uncovered by seasonal storms or other events, designing and developing the equipment needed to economically address and access leaking legacy wells, and ongoing aerial and dive surveys of the Summerland, Rincon and Ellwood fields to assess potential leaks from legacy wells. The deposits and expenditures will be reported in subsequent Kapiloff Land Bank reports.

⁷ 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).

FUND BALANCE

The balance of the Fund as of July 1, 2017 is summarized below.

FUND BALANCE SUMMARY 07/01/2017

Title Settlements (Pub. Res. Code § 8625 (a))	\$ 6,328,764
Special Mitigation and Management Projects	\$ 8,035,518
Bolsa Chica Lowlands Restoration	\$ 5,019,353
Granted Lands	\$ 106,842
Other Special Mitigation and Management Projects	\$ 2,909,323
Total Fund Balance	\$14,364,282

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