GENERAL LEASE – OTHER

APPLICANT:
The SPHERE Institute

PROPOSED LEASE:

AREA, LAND TYPE, AND LOCATION:
9.4 acres of filled and unfilled sovereign land in the historic bed of the San Francisco Bay, at 410 Airport Boulevard, Burlingame, San Mateo County.

AUTHORIZED USE:
Maintenance of public access to and functionality of the San Francisco Bay Trail, including installing protective railing and/or fencing along the edge of the bay, removing exposed rebar, filling sinkholes, improving the trail surface, and installing and repairing signage; maintaining cyclone fencing, K-rail barricade, and pedestrian gate; removal of any fencing and/or the installation of any other security or safety improvements reasonably necessary to secure the property and minimize risk to the general public; removal of all trash, rubbish, and debris; reducing potential fire hazards including regularly removing weeds and brush; maintaining clear access to fire hydrants; and monitoring shoreline protective structures. Ability to access the site and to conduct all required studies needed for the detailed design, preparation of an environmental (CEQA) document, and regulatory permit applications required for a long-term lease in the future

LEASE TERM:
3 years, beginning October 24, 2019.

CONSIDERATION:
$40,537 per year, with an annual Consumer Price Index adjustment.

SPECIFIC LEASE PROVISIONS:
• Liability insurance in an amount no less than $1,000,000 per occurrence.
• $125,000 Bond.
Lessee agrees and acknowledges hazards associated with sea level rise may require additional maintenance or protection strategies regarding the improvements on the property.

BACKGROUND:
On July 6, 1972, the Commission authorized the execution of a Boundary Settlement and Exchange Agreement (BLA 131) between the Commission, Anza Pacific Corporation, Transamerica Title Insurance Company, and other parties for filled and unfilled lands, in Burlingame, in San Francisco Bay (Item 26, July 6, 1972).

San Mateo County Assessor’s Parcel Nos. 026-363-600 and -610 (Subject Property), as shown on Exhibit B, were confirmed as sovereign land by BLA 131 and remain undeveloped. A chain link fence encloses a portion of the Subject Property, while the remaining portion is open, providing public parking and access to an unimproved portion of the San Francisco Bay Trail (Bay Trail). The bayfront portion is unfenced and is lined with shoreline protection consisting of broken concrete, which partially underlies and parallels the Bay Trail.

From 1976 through 1983, the Commission authorized leases and subleases for various land uses on the Subject Property, ranging from restaurants and entertainment centers to hotels and convention centers, in alignment with City of Burlingame zoning and land use ordinances. For a variety of reasons, the property was never developed, and these authorizations were either rescinded or the leases were quitclaimed to the State.

On October 26, 1983, the Commission authorized three leases to The Burlingame Group for a hotel development at the Subject Property (Item 28, October 26, 1983). On two separate occasions, the Commission found the Lessee in breach of the leases for not paying rent and authorized termination of the leases (Item 17, March 27, 1986 and Item 15, July 16, 1987). As part of a foreclosure, the leasehold interests were transferred to First South Savings and Loan, and the Commission recognized First South as Lessee on August 20, 1987 (Item 16, August 20, 1987). The Resolution Trust Corporation (RTC) was appointed receiver of First South on December 14, 1990. Under terms of a settlement with the RTC, the Commission received back rent along with $200,000 for site clean-up, maintenance, and expenses to market the Subject Property. The $200,000 was placed in the Kapiloff Land Bank Fund, and the three leases were terminated (Item 52, October 17, 1995).

On February 27, 1998, the Commission authorized use of the Kapiloff funds to conduct market studies, land use analysis, remove trash and debris, and install perimeter security fencing to prevent unauthorized trash dumping (Item 83).
On April 24, 2001, the Commission authorized the Executive Officer to solicit proposals for the development and operation of a hotel (Item 94, April 24, 2001). On November 26, 2001, following market exposure to 1,100 prospective developers, the Commission received only one proposal. The Commission rejected the proposal submitted for not meeting the requirements of the Request for Proposals and authorized the Executive Officer to explore other avenues for site development (Item 68, November 26, 2001).

Since 1995, the site has remained unleased and has been intermittently maintained as needed. The Commission has expended most of the $200,000 in settlement money received from RTC to market the site, demolish derelict storage buildings, install fencing and concrete barricades, and remove trash, debris, and vegetative overgrowth.

The existing shoreline protection and unimproved Bay Trail segment need rehabilitation and replacement. The shoreline protection was constructed when the site was filled in the 1960s and consists of broken concrete slabs, with exposed rebar, from the old San Mateo bridge. The unimproved dirt segment of the Bay Trail inhibits safe access to the bay waters, due to eroded soil around the protective structure, exposed rusted rebar, and includes hazardous voids that are a liability risk to the State. The estimated cost to remove and replace the concrete shoreline protection is unknown, but significant.

Although interest has been shown in the Subject Property from time to time, it has remained undeveloped. Staff received an application from the City of Burlingame to develop a local park in 2013. From 2013 to 2017 staff received six applications for various proposed uses of the Subject Property ranging from wetland and open space, to hotel development, and a combination hotel and park.

On February 27, 2018, the Commission authorized a temporary moratorium on the acceptance and consideration of lease applications for the Subject Property, directed staff to conduct a Public Trust Needs Assessment (PTNA) of the Subject Property, and report back to the Commission on Public Trust needs in the area (Item 93, February 27, 2018). Of the six applications received in late 2017, three applicants withdrew their applications for business reasons and three others withdrew their applications while the Public Trust Needs Assessment was being conducted. None of the applications were brought to the Commission for consideration.

On October 18, 2018, staff reported the results of the PTNA and the Commission authorized the Executive Officer to issue a Request for Proposals for development, operation, and maintenance of the Subject Property; to evaluate
and rank the proposals; and to negotiate a lease with the highest-scoring applicant. Upon the conclusion of negotiations, a proposed short-term lease with the potential lessee for the purposes of beginning the California Environmental Quality Act (CEQA) process would be brought to the Commission for consideration at a regularly scheduled public meeting (Item 85, October 18, 2018).

On May 22, 2019, a Request for Project Proposals (RFPP) was released for the use of the Subject Property. Interested parties were encouraged to register and to frequently check the website for updates. Interested parties who registered were EKN Development Group; VillaSport; The SPHERE Institute; ELS Architecture & Urban Design; and Shute, Mihaly & Weinberger LLP.

June 28, 2019 was the deadline for submittal for questions and clarification on the Subject Property and RFPP, and July 26, 2019 was the deadline for submittal of a complete proposal package. Three proposals were received by the Commission, one from each of the following entities: EKN Development Group, VillaSport, and The SPHERE Institute.

An Advisory Panel, which consisted of eight Commission staff, was formed to collectively review the proposals. An initial screening was completed for each proposal for a determination of responsiveness, including proposal completeness, compliance with format requirements and compliance with the common law Public Trust Doctrine. The initial screening did not involve scoring but was a pass/fail determination whether a proposal met these threshold requirements. As described further below, two proposals failed to meet these requirements and, in accordance with the RFPP, were not eligible for further consideration and were rejected. Details on the three proposals are below.

**EKN Development Group**

The EKN Development Group submitted a proposal to build a 550-room hotel and a public nature preserve and park. According to their proposal, the design of the project was intended to create an open plan, which incorporates and serves the interests of the greatest number of people. They also indicated that while the project includes a hotel, most of the site would be transformed into a nature preserve and publicly accessible park/event area and kayak launch area.

Staff determined the proposal failed the Initial Screening Process for being incomplete and thus deemed it nonresponsive. The EKN Development Group submittal did not include a response to one of the questions on Capital Investment and Financial Strength. Specifically, the submittal did
not provide information detailing the source, amount, timing, and use of
capital investment and other funds for the project, nor was evidence of
funds or funding ability provided. Furthermore, there was no discussion of
any grants or loans the EKN Development Group would need to obtain for
the project. As a result, Commission staff was unable to determine how
the EKN Development Group would finance the proposal.

On August 27, 2019, staff sent a letter to the EKN Development Group
providing notification that its proposal failed the Initial Screening Process.
In the same letter, staff advised that clarification would have been required
for non-submission of a credit report and non-submission of financial
statements for the project proponent, if the proposal had not already been
deemed nonresponsive. The letter noted that even with clarification, the
proposal may have also been found nonresponsive for non-submission of
a credit report and financial statements for the project proponent.

On September 4, 2019, the EKN Development Group responded providing
additional information that was not part of the submitted proposal,
requesting reconsideration of the rejection of the proposal under the Initial
Screening Process, and to include the additional information as part of the
submitted proposal.

On September 12, 2019, staff sent a response letter to the EKN
Development Group. In this letter, staff advised the EKN Development
Group that, pursuant to the submittal requirements of the RFPP, after a
proposal has been submitted, no modifications to the proposal are
allowed. Staff confirmed the determination that the original proposal had
failed the Initial Screening Process for being incomplete and was correctly
deemed nonresponsive.

**VillaSport**

VillaSport submitted a proposal for a Peninsula Regional Aquatic and
Recreational Park to develop the site as a regional waterfront destination.
The proposal includes the development of an indoor recreational facility.
The facility would be a 91,000-square foot fitness building with two indoor
pools; two outdoor pools; indoor and outdoor cafés; five exercise studios
for group exercise classes; basketball court; relaxation lounges with
whirlpools, saunas and steam rooms; day spa; and 15,000 square feet of
indoor and outdoor kids play area to support its childcare program with art
studios, sports court, reading areas, and dance studios. The remaining
site was characterized as a flexible, multiuse space that would attract and
encourage a wide variety of year-round recreation, fitness, and watersport
activities, including participation as a trailhead within the San Francisco Bay Area Water Trail and a section of the San Francisco Bay Trail. The proposal also included an adjacent boat house that would rent kayaks, kiteboards, and sailboards; and provide setup and staging space, rinse-down showers and watercraft washdown areas. A plaza adjacent to the boat house would also include space and infrastructure for food trucks on weekends and for events, tables and chairs for outdoor dining, family restrooms and drinking fountains. The proposal stated that the indoor recreational facility would be a necessary component of the overall proposal because it would provide the revenue stream to support the operations and management of the rest of the site.

On August 27, 2019, staff sent a letter to VillaSport providing notification that its proposal had been rejected in the Initial Screening Process for being inconsistent with the Public Trust Doctrine. In its letter, staff acknowledged that most of the aquatic and recreational park portion of the project would be comprised of uses that are consistent with the Public Trust because they are water-related recreational uses or provide access to the Bay. However, projects on sovereign state land should have as their primary purpose the furtherance of Public Trust uses, needs and values. Despite contrary statements in the proposal, the primary use of the Subject Property is for the indoor recreational facility. The indoor recreational facility is similar to private membership-based gyms. Private, usage-fee gyms are typically not consistent with the Public Trust because they serve the local community through memberships, provide a local rather than a statewide benefit, and are not water dependent. The proposed indoor recreational facility is not water-related, would not provide a significant statewide benefit to Californians, and could be easily located on alternative upland property. It is therefore not considered to be consistent with the Public Trust.

The proposal identifies the indoor recreational facility as consistent with the Public Trust as an ancillary use that supports the public’s enjoyment of the park by providing a funding source. In its letter, Commission staff explained that, although hotels, restaurants, visitor-serving retail, and parking areas have generally been considered ancillary uses and appropriate because they accommodate or enhance the public’s ability to enjoy Public Trust lands, the indoor recreational facility is not related to or necessary for the park to be developed and cannot be considered incidental to or supportive of the park in any manner other than to generate revenue. Lastly, the letter advised VillaSport that an inconsistent use proposed solely as a funding source cannot be considered a use that accommodates or enhances the public’s enjoyment of Trust lands.
On September 5, 2019, VillaSport responded with a letter disagreeing with staff’s determination, stating that the proposed project would be open to the entire public and even the indoor recreational areas would be open to all on a pay-per-use basis providing many layers of public benefits to regional and statewide visitors. They further mentioned the aquatic park and swimming pool areas are “water-related recreational uses” and take up the majority of the Subject Property. The letter further mentioned that the indoor recreational facility will create a sustainable funding source for enhancement of the Subject Property with water and Bay Trail access, made safe and accessible, and ensure maintenance throughout the life of the project.

On September 12, 2019, staff sent a response letter to VillaSport that after additional review, staff’s determination that the proposal was inconsistent with the Public Trust remained unchanged.

The SPHERE Institute

The SPHERE Institute submitted a proposal to convert the Subject Property into a natural park with native habitat and new tidal marsh; a reconfigured Bay Trail, secondary trails (including a boardwalk over the marsh), three large lawns, and family picnic areas; Bay access for kitesurfing, windsurfing, kayaking and fishing, and a new park building with restrooms and possibly a vendor (such as for kayak rentals or a café), and educational space. The proposal indicated that the park, including parking, would be free. The proposal also indicated that the park would be a demonstration project for a nature-based approach to sea-level rise adaptation. The deteriorating seawall would be breached to introduce tidal action and create new tidal wetlands and transition-zone habitat, with an interpretative program providing education around sea-level rise and the Bay edge.

The SPHERE Institute passed the initial screening and its proposal was scored by the Advisory Panel. On September 11, 2019, the Advisory Panel conducted an oral interview with The SPHERE Institute. On September 13, 2019, staff sent a letter to The SPHERE Institute providing notification that they were the highest-scoring applicant and as a result were awarded the opportunity to begin lease negotiations for a short-term lease.

A short-term lease would provide the Applicant with the ability to access the site and to conduct all required studies needed for the detailed design, preparation of a CEQA document, and regulatory permit applications.
required for a long-term lease in the future. Findings from these studies will be utilized to modify the project design to avoid, minimize, and mitigate any impacts on sensitive, regulated environmental resources. Access to the site will allow the Applicant to conduct the following studies: topographic survey, biological resources study, cultural resources study, hydrology/water quality study, phase one and two hazardous materials study, geotechnical/geology/soils investigation and any additional required studies or surveys.

STAFF ANALYSIS AND RECOMMENDATION:

**Authority:**

**Public Trust and State’s Best Interests Analysis:**
The Applicant has applied for a General Lease – Other for maintenance of public access to and functionality of the San Francisco Bay Trail, including installing protective railing and/or fencing along the edge of the bay, removing exposed rebar, filling sinkholes, improving the trail surface, and installing and repairing signage; maintaining cyclone fencing, K-rail barricade, and pedestrian gate; removal of any fencing and/or the installation of any other security or safety improvements reasonably necessary to secure the property and minimize risk to the general public; removal of all trash, rubbish, and debris; reducing potential fire hazards including regularly removing weeds and brush; maintaining clear access to fire hydrants; and monitoring shoreline protective structures.

Established in 1996, The SPHERE Institute was originally created by scholars from Stanford University to provide timely research and analysis of policy issues in the areas of health, welfare, education, and labor in California and the United States. SPHERE is an acronym for Social Policy and Health Economics Research and Evaluation. The SPHERE Institute is a nonpartisan policy research organization, which has supported numerous government agencies in designing, evaluating and operating public social service and healthcare programs. Much of this work has been performed in close partnership with its affiliated for-profit firm, Acumen LLC, which was established at the same time as The SPHERE Institute.

The proposed short-term lease is focused on maintenance of the Subject Property along with improving overall safety for public access. The Applicant would continue to provide public access to the Subject Property through the current pedestrian gate (located adjacent to Sanchez Creek at
Airport Boulevard) and the gravel parking lot on the west edge of the Subject Property will remain open to the public to park free of charge. Private security patrol and monitoring after sunset is anticipated to maintain safety and prevent chronic dumping at the Subject Property. During the short-term lease, vegetation management would be required to reduce fire risks. The lessee would also be required to maintain clear access to fire hydrants and the Airport Boulevard sidewalk; and maintain access, appearance, and safety of the Bay Trail.

The proposed action is considered beneficial because it will improve overall conditions including safety at the Subject Property. The Applicant will actively manage the site, must carry liability insurance to protect the state from any incidents or damage that could occur due to the lease activities, and submit a surety bond in the amount of $125,000. The lease does not alienate the State’s fee simple interest, or permanently impair public rights. The lease is limited to a 3-year term and does not grant the lessee exclusive rights to the lease premises. Furthermore, the action will not impede or impair any other Public Trust uses in the area.

Climate Change:
Climate change impacts, including sea-level rise, more frequent and intense storm events, and increased flooding and erosion, affect both open coastal areas and inland waterways in California. The lease area is located in San Francisco Bay, which is a tidally influenced site vulnerable to flooding at current sea levels; therefore, this area will likely be at a higher risk of flood exposure given future projection scenarios of sea-level rise. More specifically, the Lease Premises is also included in an area designated as a Special Flood Hazard Zone by the Federal Emergency Management Agency and may experience increased frequency of flooding throughout the lease term. The San Francisco tide gauge was used for the projected sea-level rise scenario for the lease area as listed in Table 1.

Table 1. Projected Sea-Level Rise for San Francisco

<table>
<thead>
<tr>
<th>Year</th>
<th>Projection (feet)</th>
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<tbody>
<tr>
<td>2030</td>
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<tr>
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<td>2050</td>
<td>1.9</td>
</tr>
<tr>
<td>2100</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Source: Table 13, State of California Sea-Level Rise Guidance: 2018 Update
Note: Projections are with respect to a 1991 to 2009 baseline.
Rising sea levels can lead to more frequent flood inundation in low lying areas and larger tidal events. In addition, as stated in Safeguarding California Plan: 2018 Update (California Natural Resources Agency 2018), climate change is projected to increase the frequency and severity of natural disasters related to flooding, fire, drought, extreme heat, and storms (especially when coupled with sea-level rise). This increase in sea level combined with more frequent and stronger storm events will likely expose the lease area structures to higher flood risks, comprised of greater total water levels for longer periods of time.

The property is primarily vacant and will be maintained with minor public safety improvements. The shoreline protective structure, as a fixed feature, may need some level of maintenance and repair work during the limited term of the lease. Through a future lease application, the property is proposed to be restored to open space and tidal restoration and designed to adapt and protect against future sea-level rise. However, pursuant to the current proposed lease, the Applicant acknowledges that the Subject Property is located in an area that may be subject to the effects of climate change, including sea-level rise.

**Conclusion:**
For all the reasons above, staff believes the proposed lease is consistent with the common law Public Trust Doctrine and is in the best interests of the State.

**OTHER PERTINENT INFORMATION:**

1. This action is consistent with Strategy 1.1 of the Commission’s Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission’s jurisdiction and Strategy 1.3 to promote, expand, and enhance appropriate public use and access to and along the State’s inland and coastal waterways.

2. **Maintenance of Existing Facilities and Minor Alterations:** Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

3. **Vegetation Management and Land Alterations:** Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under
Class 4, Minor Alterations to Land; California Code of Regulations, title 14, section 15304.

4. **Conduct Environmental Studies:** Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).


**EXHIBITS:**
- A. Land Description
- B. Site and Location Map

**RECOMMENDED ACTION:**
It is recommended that the Commission:

**CEQA FINDING:**

**Maintenance of Existing Facilities and Minor Alterations:** Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

**Vegetation Management and Land Alterations:** Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 4, Minor Alterations to Land; California Code of Regulations, title 14, section 15304.

**Conduct Environmental Studies:** Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).

**PUBLIC TRUST AND STATE’S BEST INTERESTS:**
Find that the proposed lease will not substantially impair the public rights to navigation and fishing or substantially interfere with the Public Trust needs and values at this location, at this time, and for the foreseeable
term of the lease; is consistent with the common law Public Trust Doctrine; and is in the best interests of the State.

**AUTHORIZATION:**
Authorize issuance of a General Lease – Other to the Applicant beginning October 24, 2019, for a term of 3 years, for maintenance of public access to and functionality of the San Francisco Bay Trail, including installing protective railing and/or fencing along the edge of the bay, removing exposed rebar, filling sinkholes, improving the trail surface, and installing and repairing signage; maintaining cyclone fencing, K-rail barricade, and pedestrian gate; removal of any fencing and/or the installation of any other security or safety improvements reasonably necessary to secure the property and minimize risk to the general public; removal of all trash, rubbish, and debris; reducing potential fire hazards including regularly removing weeds and brush; maintaining clear access to fire hydrants; and monitoring shoreline protective structures; and ability to access the site and to conduct all required studies needed for the detailed design, preparation of a CEQA document, and regulatory permit applications required for a long-term lease in the future, as described in Exhibit A and shown on Exhibit B (for reference purposes only), attached and by this reference made a part hereof; annual rent in the amount of $40,537, with an annual Consumer Price Index adjustment; liability insurance in an amount no less than $1,000,000 per occurrence; and a surety bond in the amount of $125,000.
EXHIBIT A

LAND DESCRIPTION

Six parcels of State owned land lying in the City of Burlingame, County of San Mateo, State of California, described as follows:

PARCEL 1

Parcel 5 as described in Exhibit A of Grant Deed recorded in Book 6198, Page 76, Official Records of said County.

PARCEL 2

Parcel 6 as described in Exhibit A of Grant Deed recorded in Book 6198, Page 76, Official Records of said County.

PARCEL 3

Parcel 7 as described in Exhibit A of Grant Deed recorded in Book 6198, Page 76, Official Records of said County.

PARCEL 4

Parcel 8 as described in Exhibit A of Grant Deed recorded in Book 6198, Page 76, Official Records of said County.

PARCEL 5

Service Station Parcel as described in Exhibit N Grant Deed to State of Sovereign Land Exchange Agreement – SLL 80 recorded in Document 82050396 on June 16, 1982, Official Records of said County.

PARCEL 6

BEGINNING at the northwesterly corner of Parcel 8 as described in Exhibit A of Grant Deed recorded in Book 6198, Page 76, Official Records of said County; thence northerly along the northerly prolongation of the westerly line of said Parcel 9, N 00°16'59" W 100.00 feet; thence N 89°43'01" E 1125.53 feet to the intersection of the northerly prolongation of the easterly line of Parcel 5 as described in said Exhibit A; thence southerly along said northerly prolongation S 00°17'00" E 100.00 feet to the northeasterly corner of said Parcel 5; thence westerly along the northerly lines of Parcels 5, 6, 7, & 8 as described in said Exhibit A, S 89°43'01" W 1125.53 feet to the POINT OF BEGINNING.
EXCEPTING THEREFROM any portion lying waterward of Mean Lower Low Water of the San Francisco Bay.

END OF DESCRIPTION

Prepared 9/13/2019 by the California State Lands Commission Boundary Unit.
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.