

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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July 17, 1984

Honorable George Deukmejian
Governor of California

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Senate Minority Floor Leader

Honorable David A. Roberti
President pro Tempore of the Senate
and Members of the Senate

Honorable Robert W. Naylor
Assembly Minority Floor Leader

Honorable Willie L. Brown, Jr.
Speaker of the Assembly
and Members of the Assembly

Dear Governor and Members of the Legislature:

In response to a request from Senator Alfred Alquist, the Commission on California State Government Organization and Economy conducted a public hearing to receive and evaluate testimony on whether or not the State should sell a parcel of land located in Contra Costa County. The parcel was purchased fifteen years ago for future construction of a State college. Based on the testimony received and other data gathered, the Commission, on a five to two vote, adopted a motion that the State should not sell the property at this time.

Background

In 1969, the State of California, acting by and through the Trustees of the California State Colleges and the then State Public Works Board, purchased a 380-acre parcel of land in Contra Costa County from the Newhall Land and Farming Company. This site has been intended for use as a proposed college campus that would be part of the California State University System. The terms of the deed of sale specify that, should the State decide not to develop the site as an institution of higher education, the Newhall Land and Farming Company shall have the right to purchase the property from the State for the original sale price (\$1,740,000) plus 7 percent per annum interest.

In 1974, the Postsecondary Education Commission and the Department of General Services conducted studies of the undeveloped site. The staff report concluded that there would be no need to develop a campus on the Contra Costa site prior to the late 1990's. Subsequent to this report the Department of General Services, as well as the Legislative Analyst, recommended that it would be in the best interest of the State to sell the property. Since 1975, the Contra Costa County parcel has been included in several surplus property bills before the Legislature. However, in each case, the bills have either been dropped or this particular parcel removed from the listing. Based on a request from the California State University, since 1979 the Department of General Services has not included this land parcel in any surplus property bills.

Little Hoover Commission Review of Contra Costa Property

On June 27, 1984, our Commission dedicated part of a public meeting to receiving testimony on the current status of the Contra Costa land parcel. Among those presenting testimony were the Newhall Land and Farming Company, Senator Daniel Boatwright, the Department of General Services, the California State University System, the Legislative Analyst's Office, and various representatives of local government and citizen's groups in Contra Costa County.

Representatives of the Newhall Land and Farming Company and the Office of the Legislative Analyst stated that the data on population growth indicate that the State will not reach the present CSU system's projected capacity during the next ten years. In fact, they stated that the statewide population of college age individuals is projected to decline. Consequently, they believe the campus should be sold for an annual savings in "opportunity cost" of approximately \$150,000.

However, a representative of the California State University System, as well as individuals speaking on behalf of Contra Costa County and city governments, argued that the county is growing at an accelerated rate. The County's population is expected to increase from roughly 700,000 at the present time to over one million by the turn of the century. Additionally, these individuals argued that it is not appropriate to assume that college students residing in Contra Costa County will or should have to attend college in locations where enrollments are below capacities.

Perhaps the most compelling argument for retaining the property relates to cost. The CSU system itself states that it will eventually construct a campus in Contra Costa County -- in fact, they believe construction will occur within ten years. If this property were sold and a new site had to be purchased at a later date, the cost to the State would be significantly higher than the "total" cost of the currently owned site.

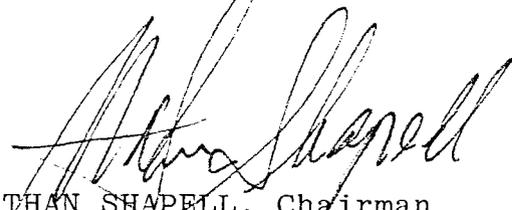
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Although the State would only receive about \$4.9 million for this property, it has a market value estimated at \$9 to \$11 million. Additionally, the only cost to the State from holding this property is lost interest earnings. Under the contractual agreement with the Newhall Land and Farming Company, the repurchase value of the property increases seven percent per year. This is only three percent less than the State's Pooled Money Investment Fund which currently earns an average return of about ten percent. This three percent difference in potential interest earnings equates to approximately \$150,000 per year.

Based on the testimony received regarding regional growth in population and the relatively small opportunity cost in retaining the property, the members of this Commission adopted a motion on a five to two vote that the State not dispose of the property at this time.

Respectfully submitted,



NATHAN SHAPELL, Chairman
James M. Bouskos, Vice Chairman
Senator Alfred E. Alquist *
Alfred Gersten, Jr.
Michael E. Kassan *
Brooke Knapp
Haig G. Mardikian
Senator Milton Marks *
Mark Nathanson *
M. Lester O'Shea **
Jean Kindy Walker **
Assemblyman Phillip D. Wyman *
Assemblyman Bruce Young *

cc: Contra Costa Board of Supervisors
The Newhall Land and Farming Company
Mr. James Jensen, California State
Colleges and Universities

*Not present at time of vote

**Commissioners O'Shea and Walker voted against the motion