




London N. Breed, Mayor  
Naomi M. Kelly, City Administrator



Andrico Q. Penick  
Director of Real Estate

## MEMORANDUM

**Date:** July 9, 2019

**From:** John Updike, Senior Project Manager, Real Estate 

**Through:** Michael Lambert, Library Director

**To:** Honorable Commissioners of the San Francisco Public Library

**Subject:** **Update Regarding Assets owned in Fresno & Kern Counties  
(Fuhrman Bequest Assets)  
July 18 Agenda item seeking authorization for sale of property in Fresno  
County**

### Background

The City and County of San Francisco owns approximately 1500 acres of land (40 acres just west of Coalinga, CA (Fresno County), the remainder in Kern County, in and around Bakersfield) that came to the City in 1941 from the Fuhrman Estate. The Fuhrman Estate Bequest specified that any revenues must be split 50/50 for the "adornment of Golden Gate Park as may be determined by the Park Commissioners" and the "acquisition of additional books on economic and political subjects for the San Francisco Public Library". Subsequent legal analysis supported a broader use of funding for the Library, which was confirmed by the court several decades ago. Many of the assets (stocks, bonds, other properties) bequeathed to the City were sold immediately upon receipt. The Fresno and Kern County property assets that are the subject of this memorandum were retained by the City. There is no restriction on sales of these assets (except as noted below), and net proceeds must flow in equal share to the Recreation and Park Department and Library.

In 1963, the City signed an oil and gas royalty lease with Shell Oil Company (currently held by Chevron following a series of acquisitions/mergers) for 800 acres of land north of Bakersfield within the Kern River Oil Field. As subsequently amended in 1993, that lease expires March 31, 2020. There are approximately 82 operating oil wells on this Chevron leasehold, encumbering about 200 acres, with the other 600 acres used as grazing land.

In 1978, the City signed a ground lease with Oil Well Service Co for the use of 40 acres of land in Fresno County, just west of Coalinga. The property was used for material storage purposes. That lease was terminated on January 31, 2019. This property is the focus of the agenda item on July 18, and this memorandum, recommending approval of sale at fair market value.



In 2016, the Board of Supervisors and Mayor approved "Keep it in the Ground" legislation, that would prohibit the City from renewing the Chevron oil and gas lease, and further require the city, in disposing or leasing such properties, to deed restrict the parcels to ensure no extractions of minerals, oil or gas occurred from the property. As part of that legislative process, the SFPUC at my urging completed a brief study that showed some potential for solar energy from some of the parcels in Kern County that were close to infrastructure with appropriate topography. However, after further, more detailed consideration by SFPUC, it was determined that sale of those parcels was the wisest course of action for the City.

### **Current Situation**

Following a competitive process, Real Estate selected Cushman and Wakefield (and their affiliate, Pacific Commercial Realty Advisors) to represent the City as our broker in the disposition of the Fresno County 40 acres, and approximately 700 acres in Kern County not burdened by the Chevron lease in the Kern River Oil Field. We have been on market with these assets since this Spring. Each and every sale will require positive recommendation of both the Library Commission and Rec-Park Commission, and then Board and Mayor approval, which I look forward to coordinating (and we'll make every effort to bundle these transactions to ease the calendaring burden, if at all possible).

As to the 800 acre Oil Field properties under lease to Chevron north of Bakersfield, we're negotiating a path forward that may entail a sale of the property with a reservation of a conservation easement enforced by a non-profit to preserve the habitat that has been identified in the area, with the costs of enforcement funded through an endowment from Chevron as part of the transaction documents that effect the sale and appropriate termination of the lease. As you can imagine, this is both complex and fluid, as I work with partners at SFPUC, Dept of Environment, Real Estate, the Center for Natural Lands Management and others on details. Expect a more detailed briefing regarding these properties toward the end of 2019 or early 2020, in conjunction with approval of the related transactional documents we'll be negotiating this Fall.

### **40 Acre Parcel near Coalinga, CA (Fresno County)**

As noted above, the City recently had the long-term tenant vacate the 40 acre property just west of Coalinga, CA. Therefore, Real Estate commissioned an appraisal of the property in order to make an informed decision about whether to re-let the property to another tenant at fair market rent, or to sell the property. Once the financial impact was determined by the appraisal, it was determined that a sale of the property at fair market value (\$170,000) was a far better fiscal outcome than lease for an estimated \$500/month (\$6,000/year).

This property has very little power or water infrastructure, but does have two metal buildings suitable for material storage (less than 5,000 square feet in size combined), constructed in the late 1960's. The City offered the property through the above-mentioned brokerage firm for sale. The City has received a bona-fide offer from Richard Storti in the amount of \$170,000 – the appraised value. Real Estate is recommending that this offer be accepted.

### **Fiscal Impact**

As has been the case with all net leasing revenues to date, the Recreation and Park Department and Library Department will equally share the net proceeds of sale of the 40 acre Fresno County property. It is anticipated that total costs of sale will be approximately \$20,000 (brokerage commission, title and escrow fees, other administrative processing costs

for closing of escrow), therefore each department can expect to receive \$75,000 in net proceeds upon the closing of escrow.

**Recommendation**

Staff asks that the Library Commission adopt a Resolution on July 18 that positively recommends the Board of Supervisors and Mayor approve of sale of the 40 acre parcel of land in Fresno County (APN 083-020-012) to Richard Storti in the amount of \$170,000, in the form of final purchase agreement to be negotiated by Real Estate staff.

Real Estate staff will return to the Commission for a more in-depth briefing and to receive direction regarding the remaining Kern County assets later this year or very early in 2020.

Attachments: Maps

c: Andrico Penick, Real Estate Director

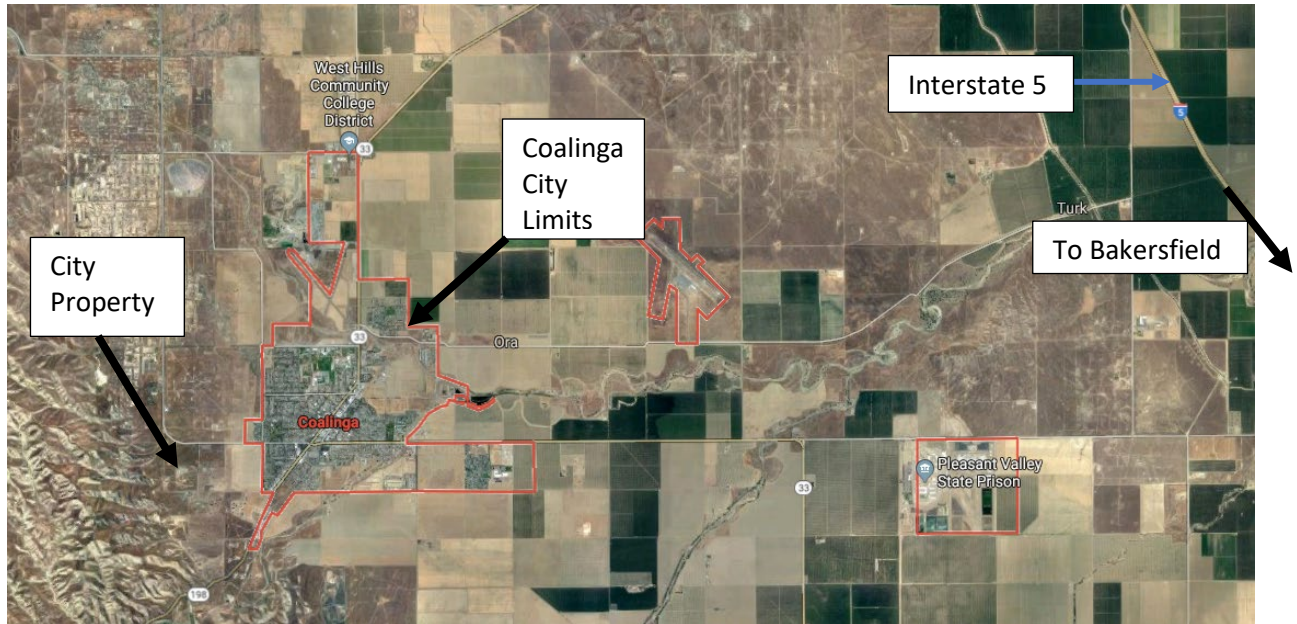


Approximate locations of Fuhrman Bequest assets in Kern County, north and west of Bakersfield, CA.





40 acre city-owned parcel just west of Coalinga, CA is shown below.



Enlarged view of city-owned 40 acre parcel located just west of Coalinga, CA below.

