

Hearst Ranch Conservation Transaction
Overall Summary
Prepared by Resources Agency staff
July 12, 2004

The Resources Agency is pleased to present for public review and comment the current working drafts of documentation to implement a comprehensive Hearst Ranch conservation solution. These documents reflect agreements tentatively reached by the Wildlife Conservation Board, Department of Parks and Recreation, State Coastal Conservancy, Caltrans, Hearst, American Land Conservancy and California Rangeland Trust. This public disclosure precedes a public informational meeting the Resources Agency will conduct on July 15, 2004 in San Luis Obispo County. At that meeting, representatives of the respective State agencies that have negotiated components of this transaction will present an overview of the proposed deal, answer questions and receive public input. This meeting near Hearst Ranch will be followed by funding hearings, commencing with the Wildlife Conservation Board meeting in Sacramento on August 12, 2004.

The transaction has multiple components which together cover the entire 81,777 acre Hearst Ranch, including its more than 18 miles of coastline. Over 80,000 acres of the Hearst Ranch will be protected by perpetual conservation easements limiting future uses to protect extraordinary scenic, open space, agricultural and natural resource values of the Hearst Ranch. The balance of the Hearst Ranch (over 1,500 acres) will be transferred into State ownership, most of which (959 acres) will become part of the State Parks system, including over 13 miles of California coastline. Of the Hearst Ranch property to pass into State ownership, 518 acres will be offered for dedication to Caltrans to accommodate possible future Highway 1 realignment projects and to allow the area under the current highway to be used for public access after any realignment. A combination of public ownership and conservation easements that allow irrevocable public access on the west side of Highway One will make an 18 mile segment of the California Coastal Trail a reality. *(A map showing the components of the transaction is posted on this website.)*

This summary is divided into several segments:

- Description and brief history of the overall Hearst Ranch
- Evolution of a conservation solution that will protect and preserve this icon of California heritage for future generations.
- Approval and funding processes
- Summary of components of the transaction:
 - East Side (posted separately on this website)
 - West Side (posted separately on this website)
 - Realignment Area (posted separately on this website)

About Hearst Ranch

Located on California's Central Coast in San Luis Obispo County, midway between Los Angeles and San Francisco, Hearst Ranch includes nearly 82,000 acres (128 square miles) and 18 miles of California's most scenic and tourist-traveled coastline. The privately-owned Hearst Ranch, which has been under Hearst ownership since the 1860's, is currently held in trust and managed by the Hearst Corporation. The Hearst Ranch was originally purchased by George Hearst, a United States Senator in the 1800's and William Randolph Hearst's father. The Hearst Ranch surrounds the Hearst Castle-Hearst San Simeon State Historical Monument, which resulted from the donation by The Hearst Corporation of the Hearst Castle to the State of California in 1957. The western portions of Hearst Ranch extend along pristine coastline. Approximately four million travelers annually visit this area on Highway One, which has been designated a State Scenic Highway and federal All-American Road. The eastern expanses of the Hearst Ranch include approximately 80,000 acres rising from sea level to the Santa Lucia Mountains, and encompassing grasslands, rangeland, forests and riparian areas and watersheds, which provide habitat for nearly 1,000 plant and animal species, including many rare, threatened, or endangered species. The Hearst Ranch has been operated as working cattle ranch for over a century and the extraordinary condition of the natural resources is a testament to the long standing stewardship by the owner. (The vast array of natural resources found on the Hearst Ranch is summarized in materials posted on this website.

The Evolution of a Conservation Solution

As an alternative to proceeding with development plans for the Hearst Ranch, the Hearst Corporation began working with private land trusts in 1999 to explore options for conserving and protecting the historic character and scenic and natural resources of the Hearst Ranch, and for expanding public access to its coastal resources.

In February 2003, The Hearst Corporation entered an option agreement with the American Land Conservancy that outlined the proposed purchase of property and conservation rights through conservation easements, with the transfer into public ownership of certain coastal property. A bargain sale purchase price of \$95 million (\$80 million in cash and \$15 million in State tax credits) was negotiated in 2003 and still remains. A recently completed independent appraisal for the State placed the value of the deal at \$230 million. The original term of the option agreement expired in February 2004, but has been extended in order to allow the American Land Conservancy and the California Rangeland Trust to work with the State of California and Hearst to have an opportunity to complete this historic transaction.

In June 2004, the California Resources Agency announced that it had reached a tentative agreement to invest voter-approved bond funds (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50)) in the

proposed transaction. That agreement was reached after review of the natural resources on the Hearst Ranch, a thorough evaluation of the terms of the proposed conservation transaction, modifications to address added public protections and rights requested by the State, and the completion of an appraisal to evaluate the fee and easement rights being offered for sale. *(Details of the proposed conservation transaction and an independent review and summary of the State's appraisal can be found on this website.*

Under State law, this proposed investment of public funds must be approved by several State agencies including the State Coastal Conservancy, Wildlife Conservation Board, and Public Works Board. Those agencies will begin public meetings on the project this summer, with a joint informational meeting due to take place in San Luis Obispo County on July 15, 2004. Approximately \$60 million of the proposed funds for this transaction will be from voter approved bonds and not the general fund budget. The California Transportation Commission has already approved \$23 million in federal transportation funds to support the transaction following two of its public meetings on the subject.

Approval Process

The State initiated its appraisal process by retaining an independent appraiser. The resulting independent appraisal has been reviewed by the California Department of General Services and also by a third party review appraiser. A copy of the July 7, 2004, third party appraisal review and summary prepared by Waldron & Assoc., Inc., is posted on this website. The value of the proposed conservation transaction established by the independent appraisal is \$230 million dollars. The Hearst Corporation intends to seek a charitable contribution deduction for any difference between the purchase price and the donated land value.

On May 13, 2004 the California Transportation Commission authorized Caltrans to spend \$23 million from Transportation Enhancement funds towards purchase of a Highway 1 viewshed easement on the "West Side" of the Hearst Ranch. Approval will also be required from the Wildlife Conservation Board and the State Coastal Conservancy for the proposed use of voter-approved bond funds to support the total purchase price and the planning of the California Coastal Trail. These departments, along with State Parks, will participate in a joint public information meeting on July 15, 2004 at the Cayucos Veterans Hall, near Hearst Ranch, to solicit public feedback and respond to questions regarding the proposed conservation transaction. The Wildlife Conservation Board is expected to consider a staff recommendation to grant bond funds from accounts under its control for the proposed transaction at its August 12, 2004 meeting. Thereafter, the State Coastal Conservancy board on September 15, 2004 will consider a staff recommendation to use bond funds under its control for the same purpose. Because the Department of Parks and Recreation will be accepting a donation of land, the Public Works Board will consider a request from that agency for permission to accept the proposed donation at one of its regularly scheduled meetings in September 2004.

Finally, legislation to create a new non-General Fund account for the California Natural Heritage Preservation Tax Credit is pending in the State legislature, and is not expected to be effective until January 2005. The Wildlife Conservation Board will act conditionally on an application for a tax credit through that program; having reviewed it in conjunction with WCB's other funding approvals for the Hearst Ranch. Funds will not be allocated unless and until legislative action on the tax credit program is complete.

The parties intend to close escrow later this year after concluding the funding hearings and completing the final transaction documentation and due diligence. If the tax credit legislation is enacted but is not effective before the end of 2004, the "Junge Ranch" portion of the Hearst Ranch would be withdrawn from the initial escrow closing for a closing in early 2005, subject to reinstatement of the tax credit program. Under the tax credit application, the 117 acres of the Junge Ranch located on the west side of Highway 1 would be conveyed into State Parks ownership, subject to Caltrans scenic protection easement; the 789 acres of the Junge Ranch located in the east side of Highway 1 would become subject to the East Side Conservation Easement.

Sources of Funds

The purchase price negotiated by the American Land Conservancy and The Hearst Corporation in early 2003 was \$95 million, comprised of \$80 million cash and \$15 million in State tax credits through the Natural Heritage Preservation Tax Credit program. The sources of such funding are expected to include: federal Transportation Enhancement funds controlled by the State and available to protect the viewshed from Highway One, and California voter-approved bond funds available to support the acquisition of real property interests and to support the State's Natural Heritage Preservation Tax Credit program.