

#36

2/15/66

Memorandum 66-9

Subject: Study 36(L) - Condemnation Law and Procedure (Obtaining Factual Information)

The Commission has indicated an interest in obtaining two types of factual information concerning condemnation law and procedure. The first type of information is specific cases that demonstrate the need for change in the existing rules relating to condemnation law and procedure. We have written a letter to all persons on our condemnation list requesting such information. A number of the responses pertinent to possession prior to judgment are attached to Memorandum 66-4. We believe that we have received a good response to our request for this information.

The second type of information that the Commission indicated that is desired is information concerning the extent to which property is now being taken for various public uses and the anticipated need for the acquisition of property for such uses in the future. We have sent a letter to various local public condemners and to private condemners requesting this information. See the attached pink pages for the form letter we used and the list of persons to whom the form letter was sent. We received a number of responses indicating that no information was available. The only response we received with any information was from the County of Marin. See attached green page. It is apparent that local condemners do not have any statistical information available in convenient form. None of the private condemners responded to our request for information.

We also wrote a letter requesting any available information to the following state agencies: Department of General Services (see attached yellow sheets for information provided); Superintendent of Public Instruction

(report is being prepared but not yet available); Department of Water Resources (no reply received); Attorney General (no reply received).

We have reproduced on the buff pages an article from the Wall Street Journal for January 13, 1966. The material on the second page under "The High Cost of Land" is particularly interesting.

We suggest that the Commission determine with respect to each aspect of eminent domain what statistical information would be useful. We can then attempt to gather the relevant information from the various state and local entities. A number of local entities that were unable to provide us with information already gathered and available in published or unpublished form have indicated a willingness to compile statistics on particular aspects of eminent domain law.

We expect that we will be receiving additional material as a result of our general request for all available published and unpublished information. We will provide you with copies of anything that will be of value.

Respectfully submitted,

John H. DeMouilly
Executive Secretary

January 12, 1965

Mr. Charles H. McCrea, General Counsel
Southwest Gas Corporation
P. O. Box 1450
Las Vegas, Nevada 89101

Dear Mr. McCrea:

As you know, the Legislature at the 1965 session adopted a concurrent resolution directing the California Law Revision Commission to prepare a comprehensive statute relating to condemnation law and procedure.

The Commission needs information concerning the extent to which property is now being taken for various public uses and the anticipated need for the acquisition of property for such uses in the future. At this time, we are seeking to determine what information already is available in the form of published reports and unpublished memoranda that would provide statistical information on past experience and future needs. Hence, we would appreciate receiving any material you now have available that you believe might be helpful in providing the Commission with background information in connection with this study. We enclose a portion of the material provided by the State Department of Public Works so that you will have an idea of the kind of information we need.

We do not, at this time, request that you attempt to collect any information that is not already available in published reports and unpublished memoranda. We plan to contact you again when we determine that we need detailed information on a particular aspect of condemnation law and procedure.

We will appreciate any information you are able to furnish us.

Yours truly,

John H. DeMouly
Executive Secretary

JHD:vh

January 21, 1966

Mr. John P. Sparrow
Ofc. of Vice Pres. & Gen. Counsel
590 University Hall
2200 University Ave., U. of C.
Berkeley 4, California

Office of Santa Clara County Counsel
70 W. Hedding St., Suite 507
San Jose 13

- * Mr. Thomas M. Montgomery, County Counsel
County Courthouse
Eureka, California
- * Mr. James M. Shurway
County Counsel
P. O. Box 154
Fairfield, California
- * Mr. David M. Ager
Dep. County Counsel
Suite 648, Hall of Administration
Los Angeles, California
- * Mr. Terry C. Smith
Dep. County Counsel
Suite 650, Hall of Admin.
Los Angeles 12
- * Mr. William S. Colt
Deputy Dist. Atty.
Alameda County Courthouse, Rm. 900
Oakland 12,
- * Mr. James M. Farnellee
Dep. Dist. Atty.
Hall of Justice and Records
Redwood City
- * Mr. Ray T. Sullivan, Jr.
County Counsel, Court House
Riverside
- * Mr. John B. Redrich
County Counsel
County Admin. Bldg.
827 - 7th St., Rm. 433
Sacramento 14
- * Mr. James S. Melch
Dep. City Atty.
City Admin. Bldg.
San Diego 92101
- * Mr. David B. Walker
Dep. County Counsel
Rm. 302, Civic Center
San Diego
- * County Counsel of Marin County
335 Civic Center
San Rafael
- * Mr. Adrian Kuyper
Asst. County Counsel
P. O. Box 1863
Santa Ana, California
- * Mr. John C. Gaffney
Asst. County Counsel
2555 Mendocino Ave.
Santa Rosa
- * Mr. K. D. Lyders
Ofc. of Dist. Atty.
Ventura County Courthouse
Ventura 93001
- * Mr. Mark C. Allen
City Hall
Inglewood
- * Mr. Rodney R. Atchison
City Attorney
115 Vine Street
Santa Cruz
- * Mr. Donald C. Atkinson, Dep. City Atty.
Ofc. of City Attorney
Rm. 412, City Hall
San Jose 95110
- * Mr. Robert H. Balda
City Hall
Fresno
- * Mr. Stanley B. Christensen, City Atty.
City Hall
303 W. Commonwealth
Fullerton,
- * Mr. Robert G. Cockins
City Hall
Santa Monica
- * Mr. Richard E. Gardella, City Atty.
Office of City Attorney
Redwood City
- * Mr. Frank Gillio, City Atty.
P. O. Box 607
Sunnyvale

- ✓ Mr. Samuel Gorlick, City Atty.
275 East Olive Ave.
Burbank,
- ✕ Mr. Roland Henning
Deputy City Attorney
City Hall
San Francisco 2
- ✕ Mr. Harold A. Irish, City Atty.
203 S. School St.
Ukiah
- ✕ Mr. A. B. Keel
City Attorney
Hawthorne
- ✓ Mr. Harry Kevorkian, Dep. City Atty
Rm. 412 City Hall
First and Mission St.
San Jose
- ✕ Mr. John A. Klein, City Atty.
City Hall
Santa Rosa, Calif.
- ✕ Mr. Philip K. Madden
Ofc. of the City Atty.
Suite 600, City Hall
Long Beach 90802
- ✕ Mr. Charles R. Martin
City Hall
San Marino
- ✕ Mr. Henry McClernan
City Hall
Glendale
- ✕ Mr. Paul N. McCloskey, Jr.
McCloskey, Wilson, Mosher & Martin
801 Welch Road
Palo Alto
- ✕ Mr. Hilton J. Melby, City Atty.
City Hall
Oakland, Calif.
- ✕ Mr. Peyton E. Moore, Jr.
Div. Chief Dep. City Atty.
2011 City Hall
Los Angeles 12
- ✓ Mr. Ralph H. Prince, City Atty.
City Hall, 426 W. Third St.
San Bernardino
- ✕ Mr. Richard G. Randolph, City Atty.
330 W. Twentieth Ave.
San Mateo 94402
- ✓ Mr. Stanley E. Remelmeier
City Attorney - City Hall
3031 Torrance Blvd.
Torrance
- ✕ Mr. M. Van Smith, Asst. City Atty.
1500 Warburton Ave.
Santa Clara
- ✓ Mr. Wendell Thompson
City Hall, Rm. 202
Pasadena
- ✓ Mr. Gilmore Tillman
Chief Asst. City Atty.
Dept. of Water & Power
207 S. Broadway
Los Angeles
- ✓ Mr. John Woodhead, City Atty.
Ofc. of City Attorney
Riverside

PRIVATE COMPANIES

- ✕ Mr. Francis J. Carr, Mgr., Tax Dept.
Pacific Gas & Electric Co.
245 Market Street
San Francisco 6
- ✓ Mr. Howard P. Allen, Vice President
Southern California Edison Company
P. O. Box 351
Los Angeles 53
- ✓ Mr. Robert Salter, Attorney
Southern California Gas Company
Box 3249 Terminal Annex
Los Angeles 54
- ✓ Mr. Milford Springer
Southern Counties Gas Company
P. O. Box 2736, Terminal Annex
Los Angeles 54

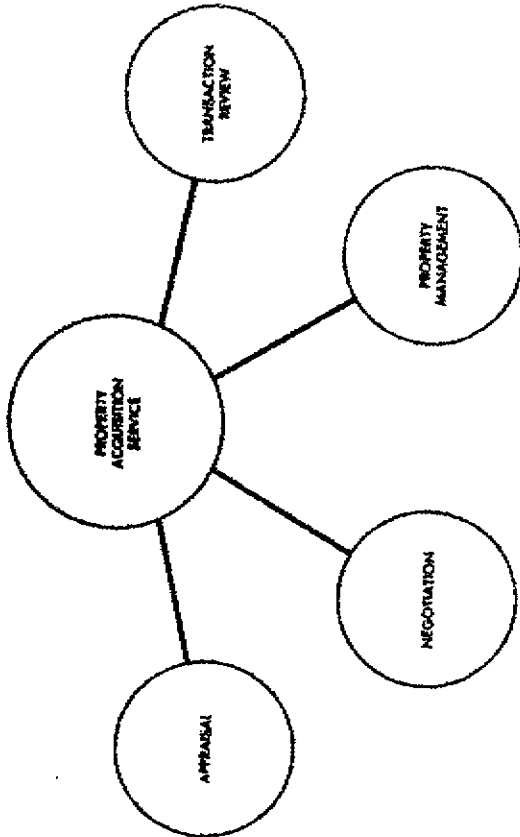
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OUT OF STATE

- ✓ Mr. Charles H. McCrea, General Counsel
Southwest Gas Corporation
P. O. Box 1450
Las Vegas, Nevada 89101

THE DEPARTMENT OF GENERAL SERVICES

PROPERTY ACQUISITION SERVICE



OPERATES FOR OTHER AGENCIES

Property Acquisition Service operates basically for the benefit of other state agencies. One of its main purposes is to direct uniformity of policies and procedures in all land acquisitions by the state. Within a framework of statutory, financial, architectural and administrative requirements and limitations, Property Acquisition Service must satisfy the needs of client agencies generally unfamiliar with the problems inherent in land acquisition.

DIVERSITY OF PROGRAM

Property Acquisition Service projects differ widely in character and scope. There are unusual appraisal problems and unique public relations needs which require specialized negotiating techniques within a framework of established policies and procedures. For instance, prison or mental institution site acquisitions present public relations problems not encountered with less controversial public uses such as forest fire stations. The intensity of citizen interest in state college site selections produces emotional reactions and intercommunity rivalries requiring the highest degree of tact and diplomacy by staff. A single rural parcel containing 4,000 acres presents entirely different appraisal and negotiating problems from those encountered on a 20-parcel urban project consisting of residential lots.

NO "ORDER FOR POSSESSION"

Use of the order for possession as an acquisition device by the state is generally available only for road and water purposes. Agencies having the privilege of using the order for possession can meet construction schedules since they need not await vesting of the title in the state. In contrast, timing of construction projects purchased by Property Acquisition Service is controlled by the actual acquisition date.

Property Acquisition Service appraises and negotiates the purchase of real estate for all agencies of state government except those specifically exempted by law. The unit's responsibilities also include the following: interim management of properties acquired prior to development for state use; orderly disposal of state land and buildings declared surplus by the Legislature; coordination and direction of the purchase of federal surplus real property for use by the state; review of real estate transactions of certain other state agencies; review of all grants of easements across state lands; maintenance of the State Index of Proprietary Lands; review of transfers of control and possession of property between state agencies; and various staff services to the State Public Works Board.

The acquisition of real property as it is conducted in the Department of General Services is an unusual operation. Some of the characteristics which distinguish it from other state acquisition agencies are described below.

HIGHER PARCEL VALUE

Average value per parcel of properties purchased by Property Acquisition Service is several times higher than for any other state agency. This factor dictates a careful individual treatment and a full narrative appraisal. Consequently, "mass appraisal" techniques are not adequate.

WORKLOAD

Growth in acquisition workload is indicated by the table below:

		For 12 months ending September 30	
		Department of Finance	Department of General Services
		1963	1964
Parcels acquired	164	319	298
Dollar value of acquisitions	\$7,817,273	\$12,740,761	\$16,004,124

The state agencies for whom property was acquired during the past two years, and dollar value of acquisitions are shown in the following chart.

As of July 1, 1965, Property Acquisition Service was assigned funded acquisition programs totaling \$84 million.

SURPLUS SALES STATISTICS

In addition to its acquisition work, Property Acquisition Service, during the past two years, has sold 30 surplus parcels of land for a total of \$3,482,560. Surplus property sales have several benefits, including placement of property into the private economy and onto tax rolls, production of income for the State Treasury and reduction of cost to state government for maintenance and protection.

ACCOMPLISHMENTS AND IMPROVEMENTS

BETTER LIAISON WITH CLIENT AGENCIES

An important step to provide better liaison with client agencies and tighter internal controls was the recent establishment of a Project Control and Site Coordination Unit. Three project coordinators, responsible for contact with 17 agencies, meet regularly with assigned agencies, work out reasonable target dates for completion of various phases of acquisition and keep agencies informed on the status of all projects. This coordination has resulted in a more even workload distribution, elimination of unnecessary delays and an increased ability to anticipate new projects.

REDUCED COST OF TITLE INSURANCE

A staff initiated study has resulted in a department contract with title insurance companies for escrow, title services, and title insurance. A reduction of 25 percent below standard fees charged has been accomplished by this arrangement. Annual savings are estimated at \$25,000.

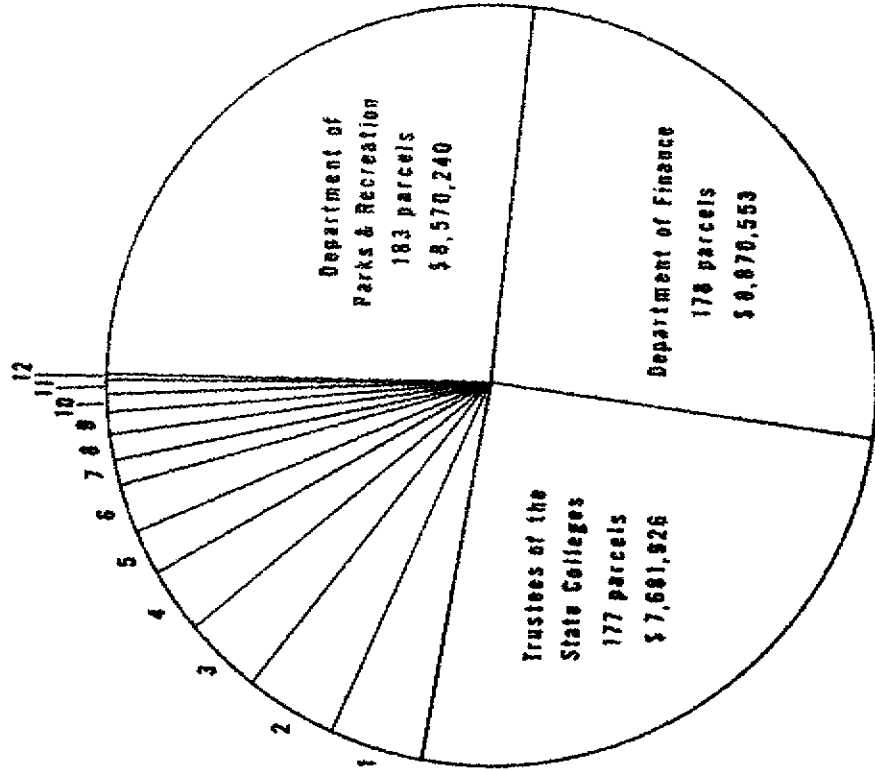
IMPROVED PROPERTY MANAGEMENT

The former backlog of unrented properties has been reduced substantially. Most of the substandard structures on property acquired in the Capitol Plan area have been demolished and the vacant space has been converted to employee parking. Structurally adequate buildings are rented or leased to responsible tenants, oftentimes the former owner, until required for construction purposes. Commercial buildings in this area are utilized for state purposes whenever possible.

**NUMBER OF PARCELS ACQUIRED BY PROPERTY ACQUISITION SERVICE
FOR VARIOUS CLIENT AGENCIES**

10/1/63 through 8/30/65

	<u>Number of parcels</u>	<u>Dollar value</u>
1. Department of Conservation	26	\$ 260,441
2. State Employees' Retirement System	27	1,140,000
3. Department of Mental Hygiene	24	762,560
4. Department of Motor Vehicles	19	1,256,510
5. Department of Youth Authority	14	583,634
6. Department of General Services	13	1,511,092
7. Department of Corrections	7	150,821
8. Department of Employment	7	463,300
9. Department of Veterans Affairs	6	161,518
10. Department of Agriculture	5	77,500
11. California Highway Patrol	4	97,500
12. Department of Public Health	1	66,000



ACQUISITION UNIFICATION BRINGS EFFICIENCY

Property Acquisition Service now purchases real property for 17 different agencies. The application of a single set of policies in acquisition, project control, coordination with client agencies, and review procedures has produced increased efficiency in operation. Acquisition costs are about 5¼ percent of property value; less than the initial goal of 6 percent.

PROFESSIONAL STATUS OF STAFF

Seven professional employees of Property Acquisition are members of the American Institute of Real Estate Appraisers. Three additional employees should achieve the designation within the next year. Standards for membership in this organization are extremely high—they include a minimum of five years' actual appraisal experience, a minimum of three appraisal courses with examinations, and preparation of at least three demonstration appraisal reports on a variety of types of property.

BETTER PUBLIC RELATIONS

Property Acquisition Service has trained and developed a professionally competent staff to perform the various tasks in real property acquisition. One result has been a relationship between the property owner and the state that is more straightforward, has fewer areas of confusion and provides the best opportunity to achieve a property settlement fair both to the property owner and the public. The property owner is treated with courtesy, consideration and patience to achieve a feeling of confidence and respect toward the State of California and its employees.

**REPORT ON PROPERTY ACQUISITION PROGRAM
BY PROPERTY ACQUISITION SERVICE
DEPARTMENT OF GENERAL SERVICES
FOR PERIOD JULY 1, 1963 THROUGH DEC. 5, 1965**

Agency	Funds Approp.	Unallocated Deferred or Not Rec'd.	Projects Received	No of Pcls.	- Acquired - No.	Amount	Indic. Surplus Funds	Und Neg or Condem	Negotiations Estimated to Be	
									December	January
Agriculture	\$ 275,884		\$ 275,884	8	6	\$ 84,500		\$191,384		
Beeches & Parks Proj. Funded 63-64 F.Y.	18,568,500	\$1,298,500	17,270,000	230	83-6/7	6,626,040	137,150	10,200,810	\$ 3,000	303,000
Proj. Funded 65-66 F.Y. (Bond)	34,149,000	23,374,000	10,775,000	21	2	9,325,000				
Oppor. Purchase 63-64 F.Y.	1,862,500	380,531	1,481,969	57	33	1,187,747	500	185,722	25,000	83,000
Oppor. Purchase 64-65 F.Y.	500,000	500,000								
Oppor. Purchase 65-66 F.Y.	500,000	500,000								
Prior Year Appropriations	2,385,859		2,385,859	15	15	1,431,888		953,971		
California Highway Patrol	201,600		201,600	7	7	201,600				
California Youth Authority	729,106		729,106	23	15	584,309	120,000	24,797		
Conservation - Forestry	826,975	121,100	705,875	70	34	284,956	7,750	310,669	66,000	14,500
Corrections	486,341	1,500	484,841	9	7	174,941		309,900		
Employment	1,950,000		1,950,000	26	12	590,280	215,000	1,144,720		
Finance Capitol Plan (\$19,676,250) Kard Core	18,250,035		18,250,035	274	180	9,992,867		6,292,168	1,503,000	220,000
Protective Purchase	562,565		562,565	13	10	262,565				
Unallocated	1,179,650	1,179,650								
Other Appropriations	300,000		300,000	8	8	270,000	30,000			
General Services	2,522,500	586,500	1,936,000	28	13	1,511,092	201,408	100,000	75,000	48,500
Mental Hygiene	2,000,000	279,000	1,721,000	37	33	1,210,500		310,500	200,000	
Motor Vehicles	3,147,710		3,147,710	50	21	1,281,010	127,000	619,700	275,000	
Public Health	66,000		66,000	1	1	66,000				
Retirement System	1,500,000		1,500,000	27	27	1,140,000	360,000			
Trustees - Calif State Colleges	18,166,328	5,120,000	13,046,328	342	191	8,021,996	343,480	2,150,852		2,530,000
Veterans Affairs	1,771,500		1,771,500	32	18	760,860		1,010,640		
TOTAL - All Agencies	\$11,902,053	\$3,340,781	\$78,561,272	1,278	715	\$45,008,151	\$1,542,288	\$23,805,833	\$ 2,147,000	\$3,199,300
Bodie	\$ 82,137		\$ 82,137	907	41	\$ 11,213		\$ 70,924		

PROPERTY SETTLEMENTS APPROVED BY STATE PUBLIC WORKS BOARD

	1958-1959 FY	1959-1960 FY	1960-1961 FY	1961-1962 FY	1962-1963 FY	1963-1964 FY	1964-1965 FY	1965-1966 FY
No. of Parcels	161	140	177	136	220	274	308	128 as of 12/31/65
Consideration Paid	4210091	4840425	5303506	5094639	6883358	11026584	22686404*	16560077 as of 12/31/65

Average Amount
Per Parcel

26150 34575 29960 37460 31290 40243 73657 53700** 129375 65040***

No. By Stipulation
By Court Award
By Acquisition Agreement
TOTAL

19 (6%) 16 (12 1/2%)
10 (3%) 4 (3%)
279 (91%) 108 (84 1/2%)
308 128

Amount by Stipulation
Amount by Court Award
Amount by Acq. Agreement
TOTAL

10236040* 602250
963250 723350
11487114 15234477
22686404 16560077

*Includes \$6,200,000 settlement negotiated with Great Lakes Carbon at Palos Verdes State College approved by PWB but later abandoned.

**Excluding Great Lakes Carbon settlement.

***Excluding \$8,300,000 for Sugar Pine Point State Park - one parcel.

DEPARTMENT OF GENERAL SERVICES
SACRAMENTO

December 6, 1963

Mr. Edwin L. Z'berg, Chairman
Assembly Committee on Natural Resources,
Planning, and Public Works
Room 4144 State Capitol
Sacramento 14, California

Dear Mr. Z'berg:

The following is in response to letters you sent recently to the Departments of Finance and General Services and to the State Public Works Board. These letters requested various information regarding land acquisition programs of the three agencies. These programs are handled through the legal processes and authority of the State Public Works Board. Consequently, the information submitted hereinafter will identify the function and the nature of the Board's real estate procurement activities in carrying forth its own program, as well as relating these to the other agencies of State government who are also engaged in real estate procurement.

Although there are six units of California State government that perform real property acquisition functions, two of these seem to fall into a separate category. As to one, namely the University of California, it is not known whether its real estate procurement program is within the scope of your committee's inquiry; nor do we know if the University is filing a report with you. However, we do believe that the autonomy vested in the Regents of the University of California by the State Constitution probably would exclude the University from at least the initial phases of your committee's deliberations. Another program of a specialty nature is that of the Wildlife Conservation Board. Its property acquisitions are so small and infrequent that we have assumed your concurrence in our decision to eliminate from this report further reference to this Board's real estate activities.

This leaves four major units, each headquartered in Sacramento, each with a professional staff of appraisers and negotiators, and each engaged in a continuing program of real estate procurement. These four are:

- a. Department of General Services (for State Public Works Board)
- b. Department of Public Works, Division of Highways
- c. Department of Water Resources
- d. State Reclamation Board

As stated above, the remainder of this reply will attempt to identify the State Public Works Board, its program, and its relationship to these other major land acquiring units in California State government.

The State Public Works Board consists of three voting members. These are the State Directors of Finance, General Services and Public Works. Meeting with the Board in an advisory capacity is a joint legislative interim committee consisting of two members of the Assembly and two members of the Senate. The Board was created by statute in 1944, and is authorized to select and acquire real estate for State governmental purposes whenever the Legislature appropriates funds for such purposes "subject to the Property Acquisition Law". This latter is incorporated in Government Code Sections 15850 through 15866, which spell out the basic legal authority under which the Board is authorized to act.

Since creation of the Board in the 1940s, the Legislature has directed that Property Acquisition Law procedures be followed in all land acquisitions for office buildings, correctional and mental institutions, State colleges including both new campuses as well as expansion of existing campuses, and other miscellaneous requirements, excluding only those land acquisitions of Highways, Water Resources and the Reclamation Board. Additionally, for the past three years the Legislature has made property acquisition appropriations for beach and park purposes "subject to the Property Acquisition Law".

Land acquisition projects presently being processed by the State Public Works Board are funded by current active appropriations in the amount of approximately \$53,000,000. Of this total, approximately \$33,000,000 is for projects in Northern California, and approximately \$20,000,000 for projects in Southern California.

Staff assistance to the State Public Works Board is provided by the Property Acquisition Service in the State Department of General Services. This unit maintains an office in Sacramento, with an authorized complement of 55 units of personnel including both clerical and professional, and an office in Los Angeles of 29 units of personnel. This staff performs directly the professional functions of appraising, negotiating and managing real estate, and in addition where circumstances warrant, utilizes the services of district right of way offices of the Division of Highways, pursuant to a contractual arrangement between the State Public Works Board and the Division of Highways.

Legal advice to the Property Acquisition Service is provided by the office of the Chief Counsel of the Department of General Services on non-condemnation acquisitions, and by the office of the State Attorney General when proceedings in eminent domain are required and being prosecuted.

December 6, 1963

Consummated property acquisitions annually of the State Public Works Board during the past several fiscal years have been in the range of approximately \$8,000,000 to \$10,000,000. Due to major land acquisition programs authorized at the 1963 legislative session (essentially the \$13,000,000 appropriation for Sacramento's Capitol Plan and the \$19,000,000 authorized statewide for beach and park purchases), the current staffing allowance for the Property Acquisition Service has been authorized in anticipation of accelerating the rate of purchases to produce an annual volume of completed transactions for the ensuing two years of approximately \$20,000,000.

Although as stated above the Legislature, for the past three years, has made beach and park land purchase appropriations subject to the Property Acquisition Law, it has only been since September, 1963, that the actual staff work of appraising and negotiating has been performed by the Property Acquisition Service. Prior to that date, this staff work was undertaken by personnel in the Division of Beaches and Parks. The decision for Property Acquisition Service to undertake this function was reached by joint agreement between the Administrator of the Resources Agency and the Administrator of the Revenue and Management Agency, upon recommendation by the former. Certain personnel were transferred to the Property Acquisition Service from the Division of Beaches and Parks, with the latter agency retaining some personnel to handle general property management functions only.

As a result of the above described transfer, there presently exists a good practical and workable grouping of real estate activities within State government. Three agencies, namely Highways, Water Resources and Reclamation Board, have substantial, continuing land acquisition programs and professional land acquisition staffs working directly under program administrators who are responsible for planning, engineering and construction on the real estate purchased. One agency, namely the State Public Works Board, undertakes land acquisitions for all other programs of State government. Due to the fact that the office of Architecture and Construction (formerly the Division of Architecture) is a part of the Department of General Services, as is the Property Acquisition Service, these "other" programs lend themselves to a centralization of their land acquisitions within a central procurement agency.

One remaining part of your inquiry pertains to the degree of coordination between the several units of State government in land acquisition. The statute creating the Department of General Services provides that various statutory responsibilities formerly vested in the Department of Finance are transferred to the new department. Included among these are those pertaining to review and approval of land acquisitions. The Property Acquisition Service in the Department of General Services therefore is required to review and approve proposed programs and actual transactions of the Department of Water Resources and the State Reclamation

Mr. Edwin L. Z'berg

-4-

December 6, 1963

Board. Section 8310 et seq. of the State Administrative Manual describe the procedures followed as to projects of the State Reclamation Board. As to the Department of Water Resources, a special situation prevails in that the bulk of the real estate work of this agency is presently being performed under contract by the Division of Highways, and the Department of General Services provides only a review and approval function at the initial appraisal phase of land purchase projects. By virtue of the statutory requirements that require clearance from General Services on projects of Water Resources and Reclamation Board, the Department of General Services is informed regarding these agencies' land acquisitions, and thereby is able to achieve coordination among the programs of the three agencies.

The Division of Highways is not required to submit its projects at any stage to the Department of General Services. However, this does not appear to have caused any substantial problem of lack of coordination in that Highways' locations are planned and programmed well in advance of the date that land acquisition commences. Also, there is a high degree of mutual cooperation and exchange of information between the Property Acquisition Service and the Division of Highways, both at headquarters level in Sacramento as well as in the district offices statewide of the Division of Highways.

The Department of General Services will be represented at your hearing on December 11 and 12, and will be glad to supply any additional information desired by your committee at that time. Our departmental representative will be Mr. H. C. Vincent, Jr., Chief Land Agent, Property Acquisition Service.

Sincerely,


Robert L. Harkness
Director

RLH:k
30383

ACQUISITION OF LAND AND RIGHTS OF WAY-COUNTY OF MARIN

	1963-64		1964-65		July & December 1965		Totals 2½ yr Period	
	Land	Appraisal Fees	Land	Appraisal Fees	Land	Appraisal Fees	Land	Appraisal Fees
Roads Department	72,714.10		182,906.36		12,938.75		268,559.21	
Parks & Recreation	49,699.00		15,000.00		57,826.00		122,525.00	
Coyote Creek								
General Fund	162,845.90		223,345.00				386,190.92	
Zone 3-Rich. Bay			85,638.61		67,263.68		152,902.29	
N. J. Brodsgar		10,490.00		4,630.00				15,120.00
J.J. King		450.00						450.00
Farrington Jones		950.00		12,257.50				13,207.50
F. A. Mehrter		1,225.00		250.00				1,475.00
D. J. Cohn		13,450.00		2,137.50				15,587.50
E. P. Morphy				1,250.00		500.00		1,750.00
E. F. Jordan				2,550.00		1,950.00		4,500.00
J. D. Hillman				4,250.00		250.00		4,250.00
Jones & Son								250.00
Arthur Folds				50.00				50.00
	<u>285,259.00</u>	<u>26,565.00</u>	<u>506,889.99</u>	<u>27,375.00</u>	<u>138,028.43</u>	<u>2,700.00</u>	<u>930,177.42</u>	<u>56,640.00</u>

Highway Slowdown

Lack of Funds Delays Road-Building Projects; Levies on Drivers Rise

Pennsylvania Work Held Up; Colorado Faces a Cutback In Its Construction Plans

Building Costs Rise Faster

By JAMES P. GANNON

Staff Reporter of THE WALL STREET JOURNAL

CHICAGO — A scarcity of road-building funds—at the very time highway construction costs are beginning to rise sharply—is delaying many road projects and necessitating boosts in some taxes and fees levied on motorists.

Nine states increased their motor fuel taxes last year in order to pay for highway construction, and other states may have to follow suit in 1966. The 1965 total exceeds the total number of increases in the three previous years combined. Some states also raised various motoring fees last year. New York, for instance, increased license-plate charges by 50% to provide an additional \$90 million annually for highways.

Despite such measures, however, many states are having to delay or even cut back their highway construction programs.

The Pennsylvania Highway Department has been compelled to postpone 29 highway jobs originally scheduled to get under way in November. The work very likely would have been canceled altogether had not Pennsylvania Gov. William Scranton last month signed a bill authorizing the state to borrow \$95 million through bond sales. Now, the jobs are slated to start in a few weeks.

The Problem in Illinois

Illinois faces delays or even cancellations in its 1966 road-building plans. The problem is that the state lacks sufficient funds to match Federal road-building money available; under law, the Federal Government will pay up to 90% of highway construction costs in a state—provided the state puts up the remainder. To take full advantage of the Federal aid it could legally tap this year, Illinois needs about twice the \$15.3 million actually available in the state coffer.

Illinois' Democratic governor, Otto Kerner, has said it is "possible" he may call a special session of the state legislature this year to raise extra highway funds. Even if the governor does call a special session, however, it is highly doubtful the Republican-dominated legislature would approve any new motoring taxes. Last year the governor proposed a three-cent-a-gallon gasoline tax increase that never got through the lawmakers.

Colorado probably will be forced to slash its state-financed highway program in the fiscal year beginning in July to a level between \$500,000 and \$1 million. This is far below the total of \$2 million being spent on state-financed road construction in the current fiscal year. Colorado highway officials had hoped to restore the cut through an extension of

a one-cent-a-gallon gasoline levy scheduled to expire Aug. 31. But Gov. John Love recently recommended the levy be allowed to lapse, because it was originally imposed on the condition it be only a temporary tax.

A delay in the release of Federal-aid funds also is slowing road building in several states. Each quarter, the Bureau of Public Roads releases one-fourth of the spending authority due each state in a year; this gives the state a green light to award construction contracts against those funds and means the Federal Government will be ready to pay its share of the bill when the work is done.

Delays of Nearly a Year

Since mid-1964 these quarterly fund releases have been late, and the lag has increased gradually to the current three-month delay. The funds due Oct. 1 weren't released until Jan. 3. The delay has forced some states' road projects to be put back nearly a year. Such is the case in Missouri, reports M. J. Snider, the state's chief highway engineer.

Minnesota had programmed \$73.6 million worth of contract awards on interstate projects in the fiscal year ending next June 30, but because of the Federal fund lag, actual contract awards will total only about \$48 million, says a state highway official. For the same reason, Wisconsin lopped off \$8 million worth of interstate work that had been scheduled for contracting "in the next couple of months," says E. O. Binney, vice-chairman of the Wisconsin Highway Commission.

"We've been dragging, admittedly," concedes a spokesman for the Bureau of Public Roads. Costs of building Federally-aided highways, he says, are rising faster than receipts into the Highway Trust Fund, the source of Federal aid money, which is fed by such user taxes as Federal levies on gasoline, trucks and tires.

The estimated cost of the 41,000-mile interstate highway system, currently half-finished, was raised early last year to \$46.8 billion from a previous estimate of \$41 billion; unforeseen price increases account for about \$2 billion of the revision and design improvements make up the other \$3.8 billion.

The Role of Congress

To finance the bigger outlay, President Johnson last May asked Congress to increase some motoring taxes, especially those affecting truckers, and to extend by five months the life of all Federal user taxes, currently scheduled to expire on Oct. 1, 1972. The proposals died in Congress; the President is expected to make new recommendations along the same line to Congress this year.

There's little doubt that highway construction costs are beginning to climb substantially after a long period of relative stability.

The U.S. Bureau of Public Roads reports its nationwide index of costs for Federally-aided highway construction rose 3.5% in only the first nine months of 1965, the latest period available. This is more than three times the 1% gain in the entire year of 1964.

A 3.5% rise in costs may not seem impressive at first glance, but in dollar terms it adds up to a massive sum; spending by Federal, state and local governments for new road construction last year totaled roughly \$8.5 billion, an amount greater than Federal spending.

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Highway Slowdown: Some States Postpone Road-Building Projects

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ing on foreign aid, the war on poverty and aid to education combined.

Road builders say their construction costs are being pushed up both by increases in workers' pay and prices of materials and machinery. A typical labor-cost increase: Union bulldozer operators in Ohio under contracts with more than 200 road-building concerns last Oct. 1 got a pay and fringe-benefit increase of 4.6%, to \$4.53 an hour. This came on top of a 3.6% boost in mid-1964, reports Karl Rothermund, executive director of the Ohio Contractor's Association, which negotiates for the employers.

Prices of many road-building materials have remained quite stable. But among those whose prices have risen are steel bars used to reinforce concrete, an important item. The average price for "rebars" used in Federally-aided highway work rose to 12.2 cents a pound in the first nine months of 1965, up one cent a pound from the 1964 average, the Bureau of Public Roads reports.

Highway officials are still uncertain what effect, if any, the recent increase in prices of some structural steel items will have on highway costs. The original \$5-a-ton boost by Bethlehem Steel Corp. on all structurals promised to raise costs significantly. But the now prevailing \$2.75-a-ton increase initiated by U.S. Steel Corp., is said to exclude heavier structural shapes commonly used in highway building.

Wholesale prices of construction machinery and equipment have risen 3.5% since the start of 1964, according to Government figures. A 160-horsepower bulldozer equipped for highway work costs about \$34,000, up from around \$30,000 two years ago, says C. T. Mitchell of Howell Tractor & Equipment Co., an International Harvester dealer in Elk Grove Village, Ill., a Chicago suburb.

The High Cost of Land

The cost of buying right-of-way for roads appears to be rising faster than other road-building costs in many states. California officials figure the "typical right-of-way parcel" has increased in cost about 8% annually for several years. "Right of way costs on the average are running about 12% higher than a year ago," says a spokesman for the Pennsylvania Highway Department.

Road-building costs are feeling upward

pressure from the fact many states have largely finished rural sections of interstate highways and are beginning to do more work in cities and towns.

"Our program increasingly calls for construction in urban areas, where right-of-way costs are much higher, of course, than in rural sections," says a spokesman for New York's Department of Public Works.

"The tough part has been left for last," says Mr. Rothermund of the Ohio Contractors Association. "In cities, you work in a restricted area. There are a lot more structures to build—more bridges, more grade separations, more work on utility lines for gas, water and electricity."

The cumulative effect of these urban road-building problems can be staggering. Pennsylvania highway officials claim they are about to build the most expensive mile of interstate highway in the country—a one-mile stretch of the Delaware Expressway through the Society Hill section of Philadelphia that will cost \$70 million. The average cost of a mile of interstate highway is roughly \$1 million.

The Maintenance Burden

Rising maintenance costs also are biting more deeply into state highway budgets. As more and more miles of Federally-aided highways are laid, the states take on an ever-larger burden of maintaining these roads. They get no Federal funds for maintenance. Illinois' maintenance bill this year will jump to \$33.5 million from last year's \$48 million.

John Moss, president of the American Road Builders Association, predicts costs of building highways will continue to rise "materially" in the next few years. Increasing productivity of machinery has helped to hold down highway costs in past years, Mr. Moss says. But machinery makers have "stabilized their designs" in the past year or two, and so "there will be very little improvement" in productivity in the near future, he says. Machinery makers, quite naturally, scoff at this assertion.

To avoid unpopular increases of motoring taxes and fees, many states besides Pennsylvania are turning to bond issues. Last year 17 state legislatures approved highway bonds worth nearly \$2.2 billion, up from authorizations of \$313 million in only five states in 1964.

Many state officials, however, feel there are definite limits to the use of bonds for raising highway-construction funds. Not only can the interest on the bonds be costly, observes one economist who studies state financial matters, but it simply "postpones paying the bill a few years."