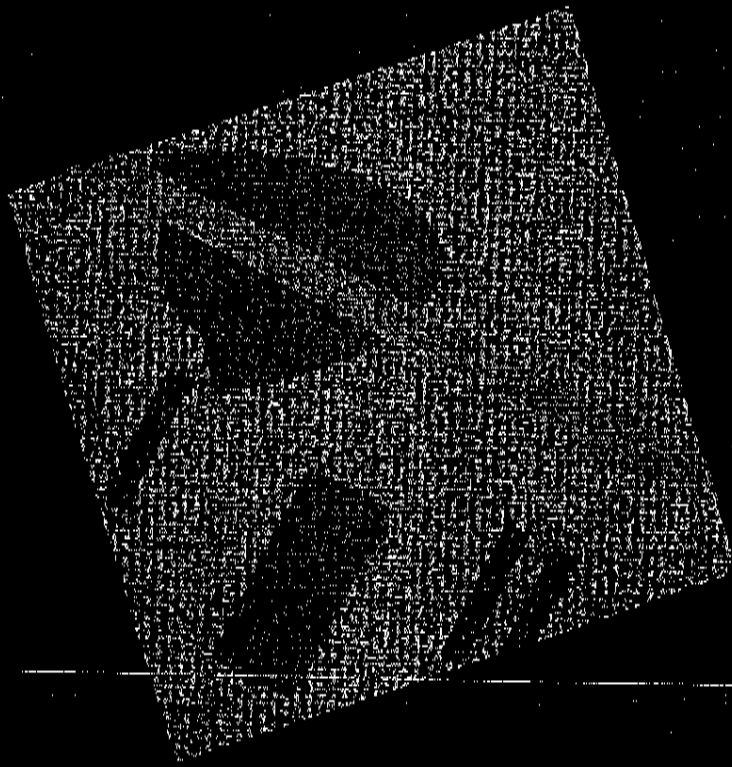


Background



Background

- ▶ Owned by PG&E Properties (and others) since 1990 (PG&E Properties sole owner since 1994)
- ▶ Put on market in 1996, valued by PG&E Properties at \$68.5 million
- ▶ Local jurisdictions (Davis, Woodland, Yolo County) and state formed "working group" to negotiate with PG&E Properties
- ▶ Property withdrawn from market by PG&E Properties
- ▶ Davis buys 400 acres of Ranch in 1996

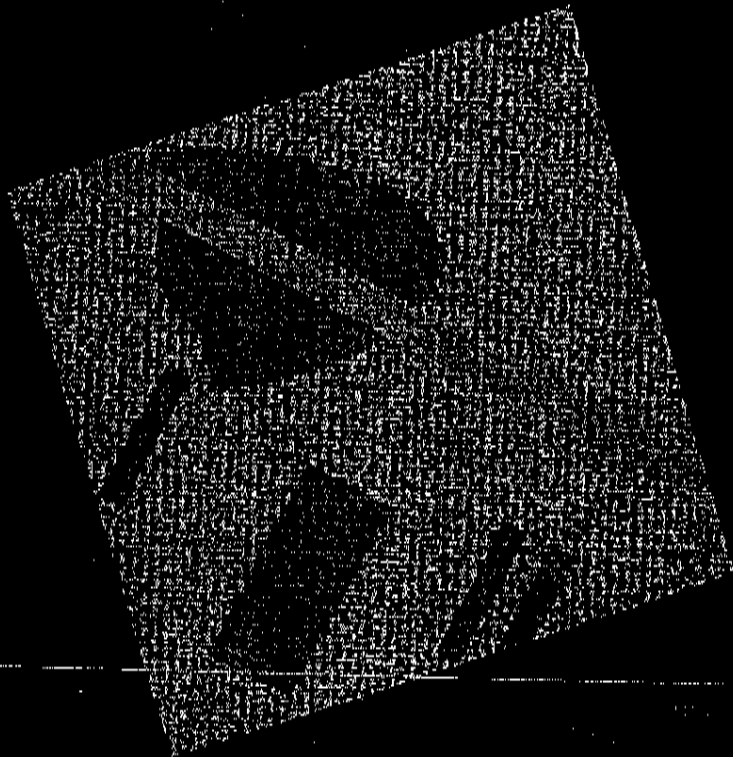
Background

- ▶ National Energy Group, holding company of PG&E Properties, in bankruptcy (doesn't directly involve PG&E Properties)
- ▶ Plan is to raise money for National Energy Group by selling the assets of PG&E Properties, including Conaway Ranch
- ▶ National real estate company retained to sell assets of PG&E Properties, completing appraisals and public offering

Background

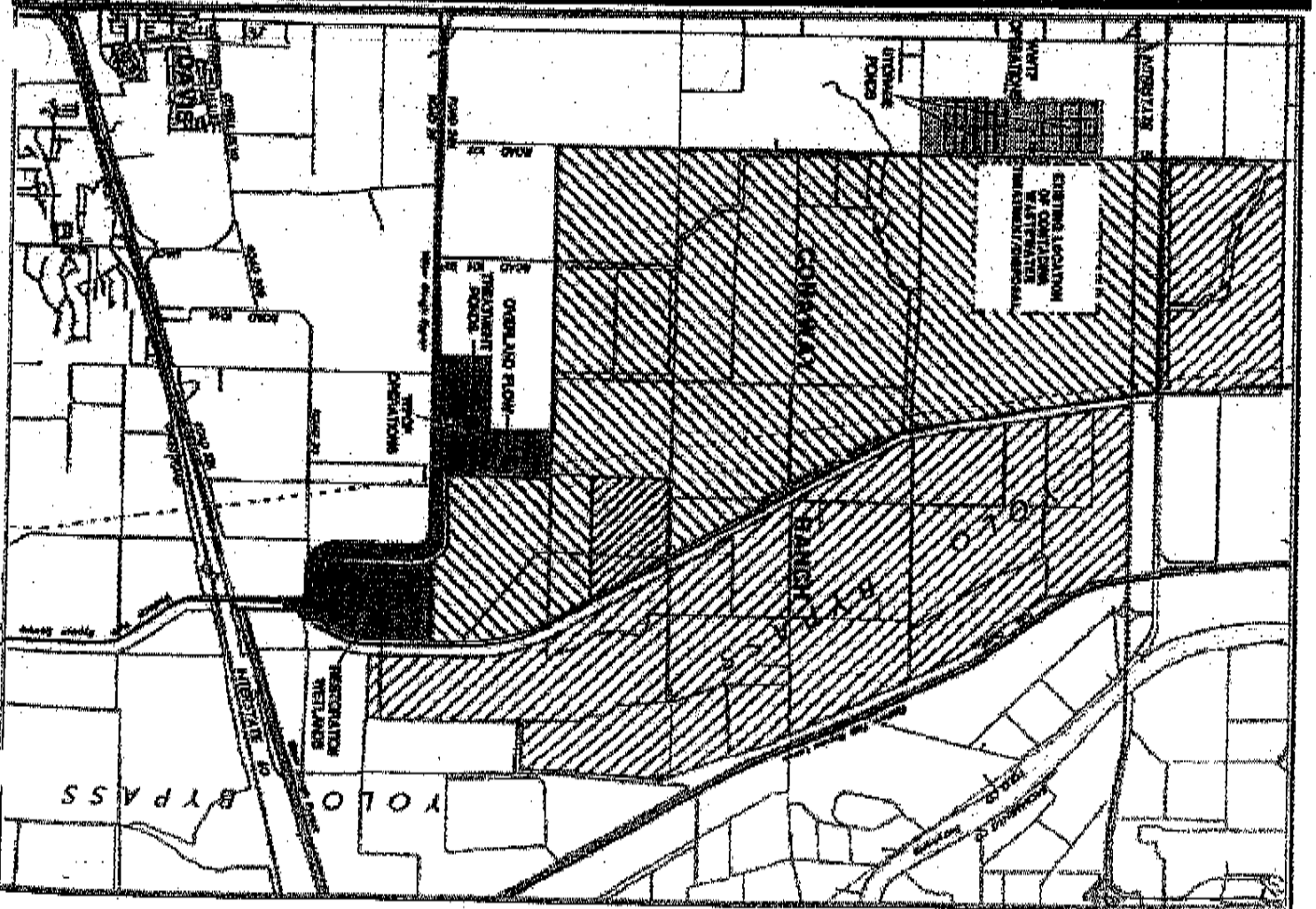
- ▶ Expect sale by public offering for all cash, no terms. All rights to be conveyed in single sale.
- ▶ Public offering believed imminent: Believe many interested prospective bidders, including those interested in water rights as well as land speculation

Comaway Ranch Resources



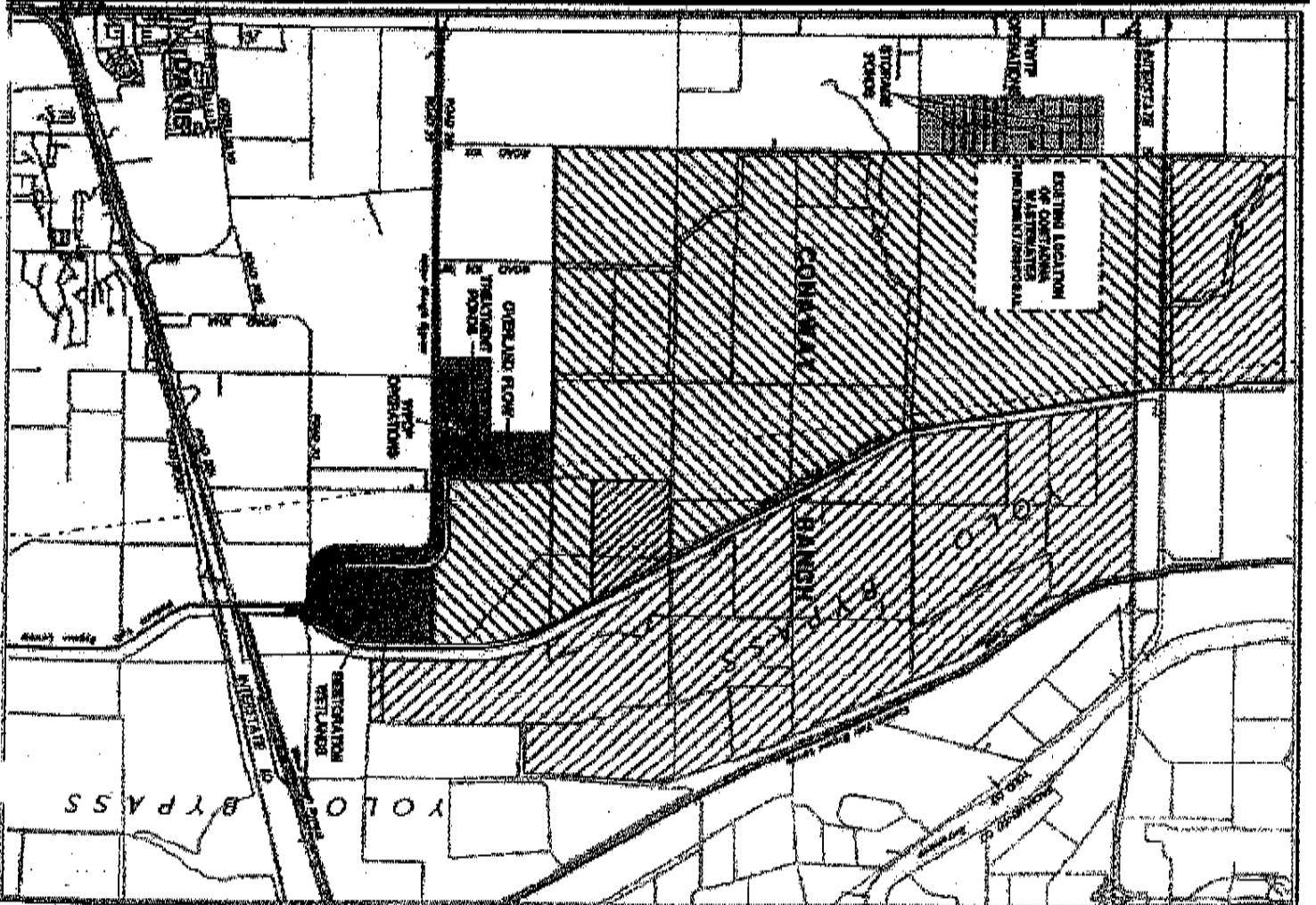
Conaway Ranch Resources

- ▶ Approximately 17,300 acres total
- ▶ 9,000 acres flood protected
- ▶ 8,300 acres inside Yolo Bypass and Cache Creek settling basin
- ▶ Up to 15,900 acres available farmland

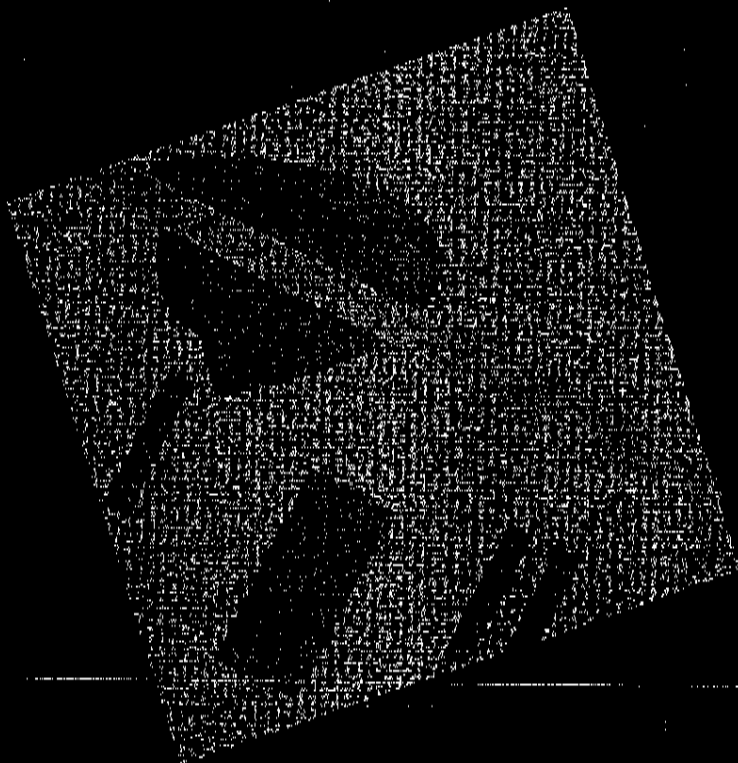


Conaway Ranch Resources

- ▶ Largest gas fields in Yolo County
- ▶ Strategic location for regional flood control solutions
- ▶ Major potential for wetlands enhancement



The Public Opportunity



The Public Opportunity

- ▶ To acquire Conaway Ranch to maintain “status quo” re: assets and public benefits [not subject to CEQA] and
- ▶ Following acquisition, engage in collaborative comprehensive planning for long term use, operation and management of Conaway Ranch to achieve multiple public benefits [subject to CEQA]

The Public Opportunity

- ▶ Time is of the essence
- ▶ Necessary to be able to respond quickly
- ▶ Collaborative acquisition effort of major potential stakeholders. Cities of Davis & Woodland and Yolo County is desirable and important
 - To support public purposes for acquisition
 - To obtain financial resources/commitments for:
 - Interim short term financing of acquisition, and
 - Long term ownership/operation/management of Conaway Ranch
 - To establish a credible and financially capable purchaser status with real estate company and PG&E Properties

The Public Opportunity

▶ Potential interested stakeholders in long term use, management and operation of Conaway Ranch for public benefit include (partial list):

City of Davis

City of Woodland

Yolo County

UC Davis

Yolo County Flood Control & Water Conservation District

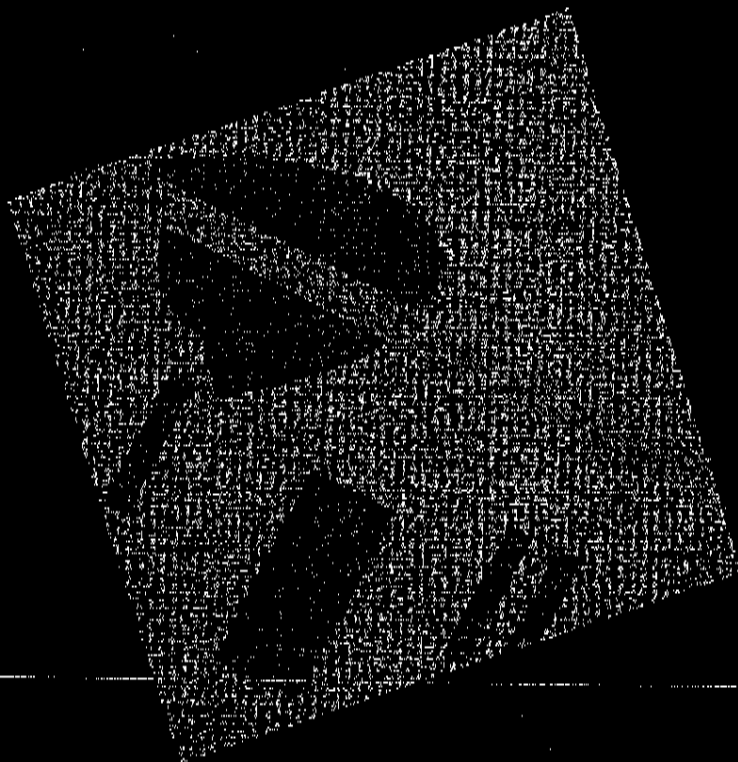
SAFCA

Conservation Agencies

Environmental Groups

Local, State & Federal Agencies

Acquisition Strategy

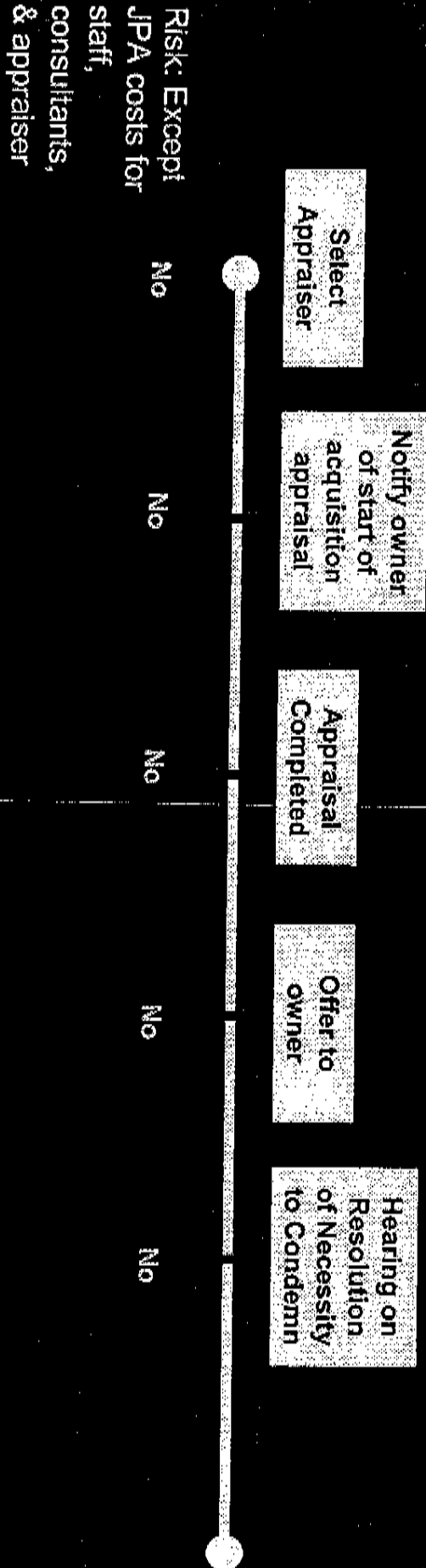


Acquisition Strategy

- ▶ Form a JPA: Sole purpose to acquire
Conaway Ranch by condemnation or
threat of condemnation
Potential participants Cities of Davis &
Woodland and Yolo County
- ▶ Form a second JPA or non-profit entity
to undertake comprehensive planning,
operation and management of ranch for
benefit of multiple stakeholder interests

Acquisition by (or Under Threat of) Condemnation

Precondemnation Steps



Acquisition by (or Under Threat of) Condemnation

Condemnation Steps

(No purchase price paid until possession transferred)

Adopt Resolution of Necessity

File Condemnation action or abandon

Judgment

Up to 6 months

Estimate: 12 months

Condemnation Trial

Risk: Except JPA costs for staff, consultants, & appraiser

No

No

If condemnation abandoned after action commenced or after judgment entered, condemning party must pay owner's costs, attorney & expert witnesses. Court can also order payment of costs by condemning party if final offer unreasonable in light of final judgment award.

Interim Financing of Purchase



Conaway Ranch

Purchase under threat of condemnation

Acquisition/Ownership JPA

Potential sources of interim funding
3-5 yrs, interest only

JPA note / bond to lenders

Lease

Operation/Mgt Entity
JPA or Non Person

Rent assigned for payment of interest

Property Mgt/ Operations
Net Income

Conaway Ranch

Ag
Oil/Gas
Water Sales
Hunting
Local Jurisdictions (Gain in interest payments)

Illustrative Sources

Short-term Bond Market
Foundations Grants/ Loans

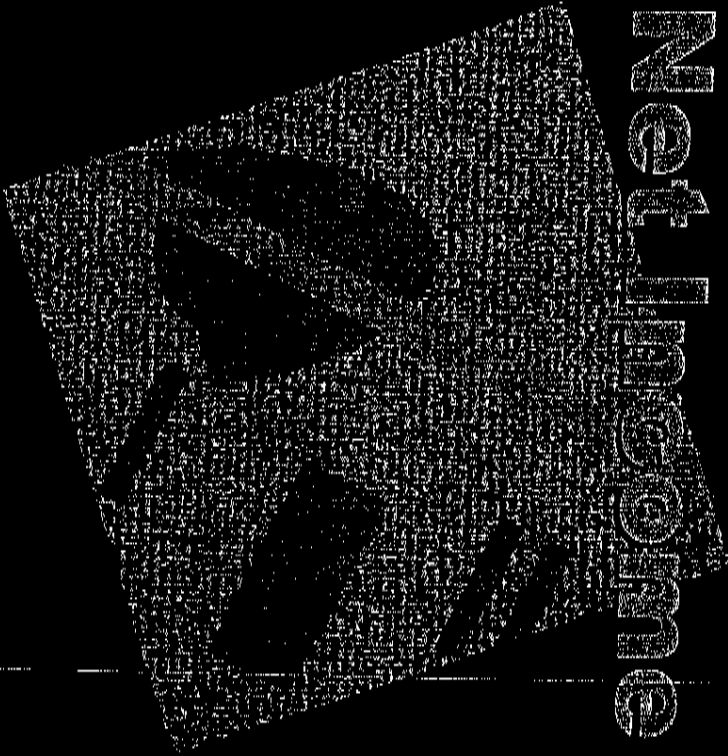
Security

Pledge of Income
First Lien on Property
Legal Commitments to Cash

Local jurisdictions repaid for gap financing out of take-out financing

Interim Financing of Purchase

**Potential Interim Period
(Years 1-5) Estimated
Net Income**



**Potential Interim Period
(Years 1-5) Estimated Net
Income**

- ▶ Farming
- ▶ Hunting
- ▶ Oil & Gas Wells
- ▶ Water Sales

Oil and Gas Leases (Estimate Only)

- ▶ 11 actively producing natural gas wells
- ▶ 18 oil and gas leases
- ▶ 2003 production: 926,208 mcf (estimated reserves of only about five years)
- ▶ Current gas price: \$4 to \$5/mcf (highly variable)
- ▶ Potential annual net income over next five years, averaging \$0.18 million year

Water Sales (Estimate Only)

- ▶ Sales to the state environmental water account or other similar buyer (years 1-5)
- ▶ 10,000-15,000 acre-feet of surface water could be made available
- ▶ Probable price of \$75 -100 per acre-foot
- ▶ Potential annual net income averaging about \$0.95 million/year

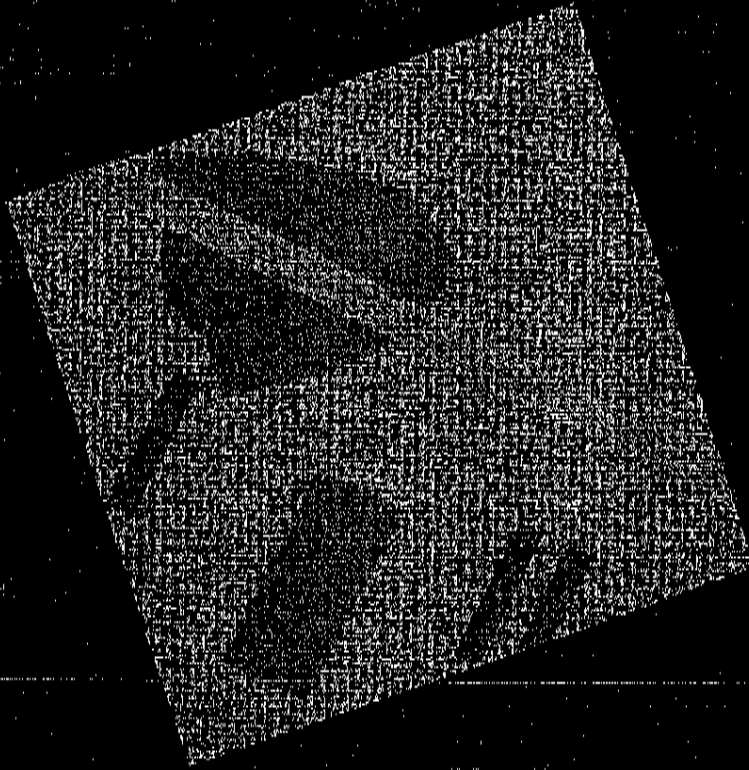
Total Potential Net Annual Income (Years 1-5 Estimate Only)

Income Source

Estimated Average Annual Net Income (million \$)

Farm Lease Income	0.51
Hunting Rights	0.10
Gas Leases	0.18
Water Sales	0.95
Total Potential Average Annual Income	1.74

Take-Out Financing



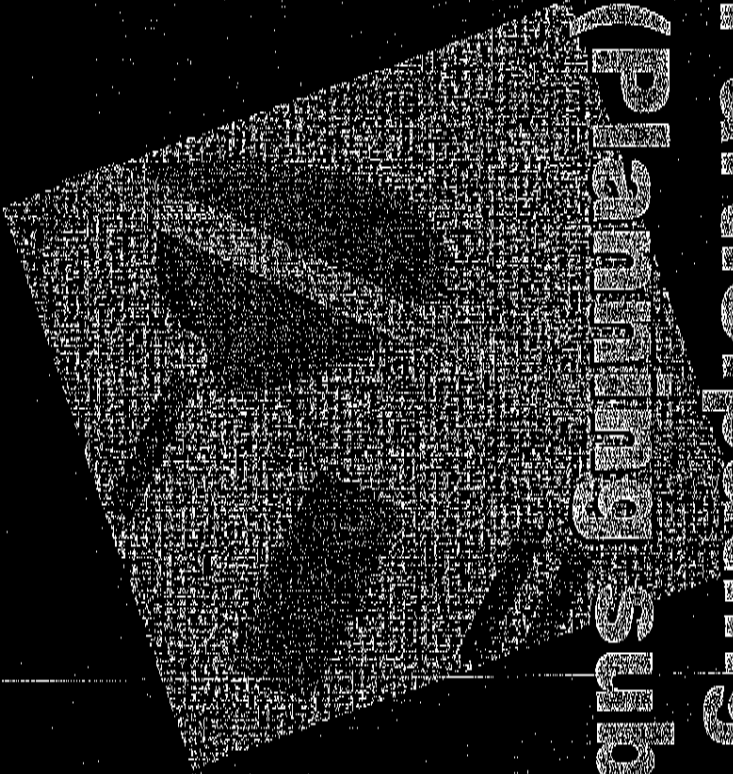
Take-Out Financing

- ▶ Evaluate net income available for financing under comprehensive plan for operation & management
- ▶ File application for Proposition 50 grant funding
- ▶ Pursue other funding sources (foundations, conservancies, interested state & local agencies)

Risk: If take-out financing inadequate or not available, risk is for participating local jurisdictions to either contribute funding or sell ranch

R

**Long-Term Planning
Considerations for
Participating Jurisdictions
(Planning subject to CEQA)**



Major Objectives for Comprehensive Planning

- ▶ Protect long-term farming operations
- ▶ Secure long-term regional surface water supply
- ▶ Create opportunities for wastewater reuse
- ▶ Create opportunities for wetlands habitat enhancement & flood control
- ▶ Promote sustainable development of all available resources