

**ROBERT M. BERRY, REALTY, INC.**

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July 12, 1990

State of California  
State Coastal Conservancy  
1330 Broadway, Suite 1100  
Oakland, CA 94612

Ref: Encinal Beach lots, Sea Level Drive, Malibu

Attention: Mr. Steve Horn

Dear Mr. Horn:

My firm has been retained by the Owner(s) of the above lots for the purpose of coordinating a potential acquisition of a portion or all of the lots by the Coastal Conservancy.

Enclosed is a proposal that could initiate phase one acquisition of lots 140, 141, 142, and 143 of Tract No. 10830. These lots have about 330 feet of white sandy beach and the appraised value is approximately \$4,024,000. ( See Craig A. Peoples, MAI appraisal report for the location of lots, Plot map before page 13.)

\$3 million in cash would acquire phase one with the owner(s) making a gift of the difference to the State of about \$ 1 million dollars.

We would recommend that the Conservancy fund \$ 1.5 million of the phase one and the Los Angeles County Beaches and Harbors fund the additional \$1.5 million out of its Prop 70 funds for a joint agency acquisition of phase one.

This proposal needs an immediate response.

Sincerely,

  
Robert M. Berry, President

cc: Owners

Fax:213-530-0326

STATE ACQUISITION - PROPOSAL CONCEPT

According to the appraisal which was provided by Craig Peoples, MAI, on May 20, 1990, the value of all 18 lots is \$18,000,000.00. The owner believes that the appropriate value is \$24,000,000.00 because the "developer's fee or profit" of \$4,200,000.00 is inappropriate under the current circumstances, since the owner is the developer and the \$2,000,000.00 of reduction in appraised value attributed to interest costs during the construction of the road is inappropriate since it is well documented that the value of beachfront property in Malibu for the last ten years has increased at a much greater rate than current interest rates of 12-13%; accordingly, although the interest rate on the value of the property would increase the cost during the construction period, the increased value of the property during the construction period would be greater than the cost of interest.

Notwithstanding the above, it will be assured the value of the property is \$18,000,000.00 for the purpose of this proposal.

PROPOSAL

- I. Lots 140, 141, 142 & 143 of Tract No. 10630 have an appraised value of \$4,024,000.00. The four parcels are equal to 330 feet of white sandy beach adjacent to Sea Level Drive.
  - A. The property will be sold to the Coastal Conservancy for \$3,000,000.00 in cash and \$1,024,000.00 will be given as a gift to receive tax benefits.
  - B. The 330 feet of white sandy beach will also be given with a ten foot wide vertical easement extending from Broad Beach Road, a State Highway, down to the beach.
  - C. The owner will grant the ten foot wide easement and develop the public access at his cost.
  
- II. The owner will provide the Coastal Conservancy with an option to purchase the remaining fourteen residential lots on the beach. These lots are as follows: Lots 144, 145, 146, 147, the Easterly 1/2 of 148, the Westerly 1/2 of 148, the Easterly 1/2 of 149, the Westerly 1/2 of 149, 150, 151, 152, 153, 154, and the Easterly 1/2 of 155, of Tract No. 10630. A sum total of the beach frontage of these lots is 790 feet ±.
  - A. The purchase price shall be \$9,000,000.00 in cash and \$4,976,000.00 of gift which will receive tax benefits.
  - B. The option will be contingent upon the owner receiving all discretionary approvals from all governmental agencies which are required to construct fourteen single family residences on the fourteen residential lots and consistent with the California Coastal Commission's stringline regulations and height regulations.
  - C. The option period shall be for a period of one year from the date that the purchase is consumated on the above referenced (I) property.
  - D. In the event the State of California or another governmental agency does not purchase the fourteen lots, the Coastal Conservancy will agree not to take any action of any kind or nature to influence the approval process during the owner's efforts to

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obtain approval for the residential houses on the 14 lots, with the following exception: the Coastal Conservancy may assist the owner in a positive manner to help the owner obtain the approvals, so that the option referenced in the paragraph will become valid.

This proposal represents a concept for discussion only and is not meant to be a contractual agreement.