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For Immediate Release:

Half Moon Bay, Developer Chop Keenan Announce Lawsuit Settlement
State Legislation Necessary To Resolve Unique Situation
Assemblyman Mullin, Senator Yee Sponsor Legislation to Secure Deal

Half Moon Bay-- The City of Half Moon Bay and real estate developer Charles "Chop" Keenan announced today they have reached a settlement of litigation which will permit the developer to build 129 high quality single-family homes on a property that had been approved for development 18 years ago but was the subject of litigation, as well as an adjacent 12 acre parcel. The agreement allows the City to avoid a costly appeal of the \$41.1 million legal judgment against it by a trial court in favor of Keenan.

Calling it a reasonable compromise that avoids further litigation and possible bankruptcy for the City, both sides said they were pleased with the agreement that was reached during the past two months of negotiations by their attorneys, with the assistance of local State legislators.

The settlement is dependent upon the State Legislature approving AB 1991, a one-of-a-kind bill specifically drafted for the City to authorize development of the 24 acre Beachwood property and an adjoining parcel property, as they were approved by the City in 1990. The properties are located between two long established residential areas north of Terrace Avenue and east of Highway 1.

The bill reflects the combination of three factual circumstances that justify this unique legislation:

- The fact that the wetland conditions were a result of man-made, half-completed drainage and grading improvements on the property;
- The fact that this property had been approved for the development that is the subject of this legislation in 1990; and,
- The legislation relieves the City of Half Moon Bay of a \$41.1 million judgment that could have bankrupted the City and would have seriously endangered vital city services.

Should the legislation be approved, Keenan will pay the City a \$2.25 million fee to develop the property, which will help offset the city's costs of pursuing the settlement and the development rights provided for in the settlement. If the legislation fails and development rights are not provided, the City has agreed to pay the trustee of Keenan's family trusts, Joyce Yamagiwa, \$18 million for the rights to the property to settle the \$41.1 million legal judgment in favor of Keenan. Upon payment, title to Beachwood and Keenan's option rights in the adjacent property would be transferred to the City.

The legislation is being carried by Assemblyman Gene Mullin and Senator Leland Yee. Their bill preserves existing State laws that protect and prohibit development on wetlands in the State, but creates a single exemption for this property alone, permitting its development since the trial court found the property was not a natural wetland, but instead was man-made by a series of City excavation and drainage projects. The City Council has expressed unanimous support for the bill and Mr. Keenan also strongly supports the bill's passage

"Of primary importance to the City and its citizens, this bill is a one-of-a-kind act that sets no precedent because, in this instance, the court found that the wetlands here were created in the course of construction that was never completed and, in addition, this property had already been approved by the City Council in 1990 for development. There will--and should be--no weakened commitment to the protection of wetlands in the state in light of this one exception," said Mayor Bonnie McClung. "In fact, the wetlands that were recognized and protected on the southeast corner of the property in 1990 when the property was approved for development will continue to be protected."

"I am pleased we were able to reach a reasonable settlement that benefits everyone. We now have a compromise that allows development and takes into account the unique facts present here," Keenan said.

Praising Assemblyman Mullin and Senator Yee for sponsoring the legislation that helped reach a settlement, both the City and Keenan urged the State Legislature to act expeditiously to pass the law to avoid having the City pay a multi-million dollar penalty and impose a heavy burden on the City's basic services.

The legislation accomplishes the following:

- Allows the City to consider the previously approved subdivisions and related environmental approvals to be in full force and effect, and allows the City to approve the final subdivision maps, grading permits, building permits, and other necessary permits for the projects as originally set forth for the approved subdivisions.
- Authorizes development of wetland areas on these sites that were the result of previous improvements because these features were manmade and arose after the original construction was commenced while still protecting the previously – protected naturally – occurring wetlands on the property.
- Declares the prior subdivisions and the related environmental approvals to be final and sufficient for purposes of developing the sites. The legislation provides that no further permits are required.
- Authorizes a needed traffic signal to be installed on Highway One at Bayview Drive that would also facilitate access to other new developments and reduce traffic impacts on

existing neighborhoods. This signal was already approved as a part of the original subdivision approvals.

“In summary, the State legislation would end the litigation, and allow construction of a project contemplated and approved almost two decades ago, without establishing a precedent that would affect other projects, compromise California's commitment to the preservation of wetlands, or limit the Coastal Commission's jurisdiction over future developments,” said Mayor McClung.

In a December 2007 decision, U.S. District Court Judge Vaughn Walker ruled that the City was liable for creating man-made wetland conditions as part of storm drain work in the area requested by the previous owners, taking away Keenan's development rights. The court awarded Keenan \$36.78 million in damages in a judgment that reached \$41.1 million with attorneys' fees and interest. The City operates on a \$10 million a year budget. The City planned to appeal the decision and, at the same time, both parties entered into settlement discussions, which resulted in today's announcement.