Who Owns Southern California?

Notes by Mason Gaffney

These notes on concentration of landholdings were originally compiled in1988 and have been updated from time to time since then.
The most recent revisions were made in 1997.

1. HOLDINGS BY ALIENS

2. AMERICANS FROM OTHER STATES

3. CALIFORNIANS

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Several million persons, perhaps half the resident adult population, hold titles to land in southern California. With so many holders, the median holding is perforce small, although well above the national median. But the mean holding is well above the median, indicating a skewed distribution.

All wealth distributions are skewed; so, to a lesser degree, are income distributions. Landholding, however, is more skewed than other distributions. In 1985 the Internal Revenue Service released a Report based on a study of 1983 estate tax returns. According to the Report, "More than one half of his (the mean top wealth-holder's) wealth was held as real estate and corporate stock, with real estate surpassing corporate stock as the most prominent asset in the top wealth-holder's portfolio." (AP dispatch by Jim Luther, Riverside Press Enterprise, 8 March 1985, p. A3.) This Report warrants careful study.

A 19th century California editor turned economist had observed the same: "The great cause of inequality in the distribution of wealth is inequality in the ownership of land …" (Henry George, *Progress and Poverty*,1879).

It was a recurring theme: a century before, Thomas Jefferson, Tom Paine, Adam Smith and others were of the same opinion. A century later Robert Fellmeth et al. redocumented the point for California (*The Nader Report: Politics of Land*, 1973). Between George and Fellmeth, scholars like Walter Goldschmidt, Paul S. Taylor, Paul Gates, Adon Poli and many others had documented the same point. Carey McWilliams (*Factories in the Field*), and novelists like Frank Norris (*The Octopus*) and John Steinbeck (*The Grapes of Wrath*) found popular success with the theme.

The Fellmeth-Nader study was too ambitious for its resources, and flawed by haste. Critics seized on the flaws to discredit or dismiss the substance. Nevertheless its main theme, the concentration of landownership, may be tested by reference to more conventional sources today. That is our method here.

1. HOLDINGS BY ALIENS

Several studies have shown the largest holders of land in any region are likely to be diversified large holders from outside the region. This seems to hold here as well.

Non-resident aliens own about 75% of the "major" buildings in the L.A. CBD west of Broadway [L.A. Times 21 Sept 86].

Charles Grosvenor, an Englishman, a.k.a. The Duke of Westminster, is one of these is. Grosvenor owns half the Wells Fargo Building on a valuable site in downtown L.A. Grosvenor also holds 17 acres in Silicon Valley. He also holds Annacis Island, 1200 acres near Vancouver, B.C. He is a major owner in downtown Melbourne. He is diversified around the world. These are parts of his overseas holdings. Their value was estimated in 1985 at $1.3 billion, but they were not for sale and the basis for the valuation is not given. Like city land worldwide, they must have doubled in price, 1985-89 – and then dropped again.

The core of Grosvenor's holdings is 300 acres in central London, including half the Mayfair District, most of Belgravia, and Grosvenor Square where the U.S. Embassy is one of his many lessees. His country estate is 4500 acres. Grosvenor, along with Earl Cadogan, the Duke of Bedford, Viscount Portman, and Lord Howard de Walden, pretty well control London land. [L.A. Times, 9/85]

The Mitsubishi Estate Company. Westmec is the American subsidiary of the Mitsubishi Estate Company. It recently bought into Sunrise Company of Palm Desert, a developer of country club communities. Sunrise has developed 7 private golf communities and is developing Sunterra resort near Indian Wells, which includes two golf courses and one 80-acre lake. Westmec also holds Pacwest Center, Portland.

The core asset of Mitsubishi Estate Company is the Marunouchi District, the business and financial center of Tokyo, where land prices rise over $10,000 per square foot. Mitsubishi holds 85% of that land, an asset valued at $50 billion. It also owns land in Yokohama. On such collateral they can borrow easily, at low Japanese interest rates, to acquire or develop land anywhere.

In 1989, Mitsubishi flexed its muscles by buying a controlling interest in Rockefeller Center, a highly visible "trophy" property. It also owns several downtown L.A. skyscrapers [L.A. Times, 12 September 1995, A11]. In this case, pride went before a fall: the timing of Japanese purchases was pessimal. Now (1995) they are trying to liquidate many of their trophies, taking great losses. Many properties are being foreclosed by their Japanese creditors, who in turn are trying to fob off their losses on Japanese taxpayers. Rockefeller Center is one of those properties. A likely new owner is to be Sam Zell of Chicago, in conjunction with the Walt Disney Company.

The Shuwa Company Ltd. of Tokyo is a recent entrant. It recently bought Arco Plaza and Chase Plaza, where the Bank of America and the Chase Manhattan Bank remain as their tenants. [L.A. Times, 21 Sept. 86]

The Canadian Daon Company in the early 1980s had 13,000 acres in Southern California, 6,000 of them in Riverside County, 3,744 acres of these in Temescal Valley, including the Wild Rose project of 220 acres. [Riverside Press-Enterprise, 4/84, 9/82]. One of its projects, the Riverside Centre Building, has been taken by its foreign bank, the Bank of Montreal [Riverside Press-Enterprise, 5/88]. The Riverside City Council had provided the site and imprudently subordinated it for the loan, so the Montreal bank now holds the site, too.

Edward Halvajian. Daon was liquidating its surplus lands in the early 1980s. One big buyer was Edward Halvajian and Associates, Newport Beach. In April, 1984, Halvajian acquired 2400 acres from Daon. This consists of 800 acres in the Corona Foothill Company tract in Corona (between Chase Drive and Foothill Drive, Lincoln Avenue and Garretson Avenue). This was in citrus, convertible to urban. The other 1600 acres is developable land in Temescal Canyon along the then-new I-15. The foreign-owned company was able to sell at a better price because of the benefits of the highway, paid by American taxpayers. Halvajian also has 400 acres in Thermal, and "substantial amounts" of land elsewhere. (TPE, 4/84) [Note: TPE refers to the Riverside Press-Enterprise or The Press-Enterprise.]

BCE. In 1985 Daon was acquired by BCE of Vancouver, the American landholding arm of Bell Canada. BCE in turn is now seeking buyers for part of its holdings, retaining mainly commercial and industrial (C&I) investments for permanent holding. BCE is now offering 4,400 acres en bloc. This bloc includes 2200 acres in Carlsbad, by the La Costa Resort [Riverside Press-Enterprise, 5/88].

BCE is separately offering the Temescal Water Co. TWC was a Mutual Water Company (owned by its customer-landowners) for 100 years, but was sold to Daon in 1981. TWC owns Railroad Canyon Dam and Canyon Lake and the water rights of the San Jacinto River, plus rights to 4,250 acre-feet/year of Santa Ana River water from the Bunker Hill and Colton basins.

The price of Metro water in the area is $238/acre-foot this year, and rising. Water rights are generally exempt from the property tax, so a capitalization rate of 3-4% (the real interest rate) might be appropriate. 4250 x 238/.04 = $25 million for the Santa Ana water rights alone, not including the main right which is to the San Jacinto River.

Likely buyers
are the City of Corona, and Eastern Municipal Water District (EMWD). EMWD wants to use Canyon Lake to store treated water from four upstream sewage plants.

BCE is retaining C&I holdings including MacArthur Place, a 66-acre commercial complex by John Wayne Airport; and the 58-acre Corona Shopping Centre, McKinley at Freeway 91, jointly owned with Sol Price of the Price Clubs. Price, of La Jolla, is the 253d richest American in Forbes' 1987 ranking. Price also controls the wealthy Ben Weingart Foundation.

The Riverside Cement Company is a division of Gifford Hill, Dallas. In 1986 C.H. Beazer Holdings of Bath, England, acquired Gifford Hill. Riverside Cement may sell 296 acres for development on speculation as an industrial park. (TPE 4 Feb 88.)

2. AMERICANS FROM OTHER STATES

A second kind of holder is the out-of-state American, individual or corporate.

The Union Pacific Railroad is headquartered in New York. Upland (U.P. Land) Industries is its real estate management division. Oil is its major asset, but here we look at its local surface holdings. These include: 420 acres Vintage Industrial Park, between Etiwanda Ave & Wineville Ave [Riverside Press- Enterprise, 6/86]. 570 acres in Mira Loma near Space Center. 30 acres undeveloped land near Riverside Airport 156 acres in Fontana [Riverside Press-Enterprise, 9/86]. 300 more acres south of Van Buren,
and south of San Sevaine Industrial Center [Riverside Press-Enterprise, 4/88].

Gulf+Western Corporation has acquired Mann Theatres of Calif, a chain of 360 screens, 8th largest in the U.S., including the Chinese Theatre in Hollywood, and 2/3 of those in Westwood Village, for $220 million, 1986; it already owned Paramount [L.A. Times, 10/86].

20th Century Fox is owned by Marvin Davis, Denver oil man, 19th richest American on Forbes' list. Holdings include 63 acres by Century City; 40 acres of Studio City in San Fernando Valley (with CBS). Eleven acres in the Studio City holding are vacant; 29 acres are "partly used." [L.A. Times, 2/17/82].

Charles Hurwitz of Houston. McCulloch Oil Company, having prospered in chain saws, went into land development, stumbled, and in 1978 was acquired by Hurwitz. He renamed it MCO Holdings Inc. In 1986 he added Pacific Lumber Co. of northern California (where he has come into well-publicized conflict with environmentalists for speedy clear-cutting, allegedly to meet debt service on junk bonds). Now Hurwitz is poised to acquire Kaiser Aluminum & Chemical Corp of Oakland. Kaiser, along with Aetna Insurance of Connecticut, at one time held 120,000 acres called Rancho California (now Temecula), and still retains much of it through Kacor, a subsidiary. Federated Development Company, Hurwitz' private development company, just opened the Ritz-Carlton Rancho Mirage on 105 acres. It was able to donate 350 acres to the city to placate environmentalists [L.A. Times, 30 May 88].

ALCOA of Pittsburgh was the developer of Century City. ALCOA poured in hundreds of millions of its "patient money" on what was then a marginal site. It absorbed early operating losses, fully deductible from ordinary income, to build up an asset later sold for a capital gain.

Santa Fe-Southern Pacific (SFSP), headquartered in Chicago in its own building, was a near-merger of two of California's largest landholders. SP alone was already the largest before the attempted merger, and had been, from the age of railroad "robber barons" (Stanford, Crocker, Huntington and Flood), beneficiaries of vast federal land grants in California. The U.S. Government even acquired a key right-of-way, the Mesilla Valley route, from Mexico to give the SP (the "Gadsden Purchase," 1853). In 1988 SP, (or some part of it, along with the name) was sold to Philip Anschutz, Denver oil man, who is liquidating some lands.

SFSP holdings now include: Rights-of-way, including the right to preempt intersections on demand. These are key assets that might be used for mass transit, but have long been withheld from such use. (In January, 1991, SP did agree to sell 85 miles, including the Peninsula commuter line, to Santa Clara, San Francisco and San Mateo Counties, for $290 millions. Sante Fe, on the other hand, is holding out for over $1 billion for some mileage in L.A. and Riverside Counties.) The rights-of-way give their owners preferential access to our great ports, built and improved at public expense. Growing Pacific Basin trade, and evolving container-shipping techniques, keep the tracks busy night and day. Railyards. Wherever there are stations there are railyards, usually just off the central business district. Riverside yards are small; Bloomington and San Bernardino yards cover hundreds of acres. Union Station in Los Angeles., with yards, covers about 70 acres east of Sunset/Olvera, and is about to be redeveloped, and made the focus of mass transit in Los Angeles. (LAT, 5/88) Just northeast of downtown, this land has the potential of rising to downtown value levels. (See Appendix 1, The Union Station Condemnation.) The L.A. Produce Market Mission Bay Development, San Francisco, is 208 acres of old yards just south of San Francisco's central business district, where land sells for over $1,000 per square foot. 158,000 acres of farmland, west side of San Joaquin Valley, watered by California Water Project under heavy subsidy. Timberland, 520,000 acres, largest timberland owner in Calif. This land is as good as tax exempt under California's Timber Preserve Zone Act, which SP itself lobbied through. 20 acres in the San Diego central business district, near old Santa Fe depot Pacific Design Center, West Hollywood, 17 acres 350 acres shoreline in the East Bay, off Berkeley, Emeryville, Alameda 716 acres, Fremont 450 acres, Chula Vista, waterfront 85 acres, San Jose, railyard near downtown Torrance, Park del Amo 1 Market St., San Francisco, old Southern Pacific headquarters, 264,000 square foot building, prime site surrounded by higher, newer buildings San Jose, office complex, 440,000 square feet.

By comparison the local holdings of SFSP seem petty, yet they are locally important and even overwhelming. They include: Perris, 88 acres business park, plus another 100 acres Corona, prime land for business, range of $8 per square foot (recently sold) Fontana, 400 acres Ontario, 500 acres Cucamonga, 280 acres Redlands, 300 acres

On the improved urban lands, SPSF has 8 million square feet in building floorspace, of which 4 million square feet are in California. These buildings include: 1 Market Street, San Francisco, old SP headquarters: 264,000 square feet, 10 floors (low for the district); Pacific Design Center, West Hollywood; San Jose, 440,000 square feet in an office complex, plus 85 acres of railyard near downtown; Chicago headquarters, 371,000 square feet, 17 floors. Torrance, Park del Amo.

Some of the lands of SPSF are oil-bearing, in several states. (TPE, 9/87; LAT 11/87)

The value of SF & SP lands is hard for Wall St. to know because so much of it is undeveloped or underdeveloped. Estimates range from $2 billion to $9 billion. Tax assessments understate values for several reasons. Traditionally, SF & SP devoted major legal effort to holding down assessed values below market. Assessors tend anyway to undervalue vacant acreage, perhaps because of such pressure. In 1988 SFSP was in courts all over California opposing reassessments which county assessors claimed were triggered by the attempted merger of 1983.

Local real estate people know local values, but Wall St. looks more at current earnings — except when corporate raiders go to work on "asset plays." SP has long been noted for having latent values yielding no current earnings. They have now bid up the stock to 30 times earnings. For perhaps the first time in its history SFSP is now a "motivated seller," to fend off the raid. In 1987 the "Henley Group" was a threat. So was Olympia and York, a large developer specializing in urban real estate, and in 1987 considered a maj
or threat.

SPSF recently sold off much of its Corona holdings. It took the indirect route of a stock market raid to pry loose these surplus lands – an indication of market failure. It remains to be seen if the new owners will put the land to good use, or continue to hold it simply as an idle "store of value."

Overall, SFSP lands are estimated to be 2.4 million acres in California, or 4.8% of the privately held land area. Nationwide holdings are 5.2 million acres . 28,500 acres of this are developed C&I land. (Riverside Press-Enterprise, 9/87; L.A. Times, 11/87.)

The California Commerce Center, 1,350 acres east of Ontario Airport, is now augmented by purchase of the 505-acre Hunt tract to the south. Joint holders are Cadillac Fairview, a Canadian real estate firm with vast holdings elsewhere in Southern California; John D. Lusk & Son, Newport Beach (Lusk is the 375th richest American on Forbes' list); Hillman Company of Pittsburgh (Henry Hillman of Pittsburgh is the 18th richest American on Forbes' list); Shaw and Talbot Assocs. II; and a Dutch pension fund. The CCC has been accorded the valuable special privilege of being a "free trade zone", meaning anyone buying or leasing land from CCC in the zone can import foreign materials duty-free for process and reexport. This benefit is shifted to landholders through higher rents, higher sale prices, and earlier sales of land.

The Hunt brothers of Texas held 505 acres at Archibald and Mission Blvd (sold to CCC). In 1986 they still held 1,000 acres for a resort near Carlsbad, on the north shore of Batiquitos Lagoon. [Riverside Press-Enterprise, 9/86]. In 1988, pursued by creditors, they sold this, according to their liquidating trustees, for $72 million. Then they are alleged to have transferred much of this to their children by overpaying them for raw land in Texas and Arizona (Business Week, May 13 1991, p.42). Thus it is possible that parts of this once-mighty empire will remain in the family.

Major oil companies loom large in California land. Their chains of gas stations on "hot" corners are their essential means for dominating the retail market. Exxon, Shell, Mobil and Chevron are the dominant sellers. Of these, only Chevron is a California Company, and that only means its headquarters are here. Directors and major stockholders may live anywhere.

All oil firms overbought retail outlets in the gas station land rush of the 1960s, but closed stations are now profitably converted to other uses like mini-malls, drive-ins, etc. More important, these closed sites are preempted from competing sellers of gasoline. With such market power it has been possible for the majors to reduce the number of stations and convert to the now-standard non-service "service" station. For a look at what "service" really meant until about 1970, see the service station episode in Back to the Future with Michael J. Fox: it is of course exaggerated, but not as much as one might assume.

Acreages held or leased for oil and gas exploration and drilling are in the millions of acres per company. No attempt is made here to list the California holdings, but in oil-prone areas like Kern County some major holders are Texaco, Shell, Arco, Chevron, and Tenneco. Often other valuable assets like water and farmland and townsites are acquired as incidents. Thus Tenneco, in acquiring Kern County Land Company, also gained nearly total control of the Kern River, including Isabella Dam and Reservoir, wholly financed by U.S. taxpayers.

The Bass family of Fort Worth holds 25% of the Disney stock. (Roy Disney is the 103d richest American on Forbes' list. The Basses, like many others of great wealth, are too secretive for Forbes to get the facts to put them there.) Disney of course holds the original Disneyland in Anaheim, about 80 acres in use, plus 300-400 surrounding acres either acquired or being acquired for planned expansion (L.A. Times, 9 May 91). This land is worth about $1million per acre.

Disney also owns the Disney filming lot in Burbank; Walt Disney World in Florida., 28,000 acres; Euro Disneyland near Paris, 5,000 acres; and is now bidding for the Wrather Corporation, operator of the Queen Mary and Spruce Goose in Long Beach, with 47 acres for retail and parking nearby, and a valuable option to lease 236 acres of fillable land in Long Beach Harbor.

Disney in Long Beach exemplifies the market power inherent in large holdings. "In a not-too-subtle bid to gain regulatory concessions in each location (Long Beach vs. Anaheim), company officials have said their decision (where to expand) will depend, in part, on 'governmental approval and support ...'" This refers to such matters as city financing of freeway offramps, street improvements, parking, etc. (L.A. Times, 9 May 91).

Update, 1993: Disney used the Long Beach option as leverage to win concessions from the City of Anaheim, and finally chose to expand there instead. That is one of the hidden benefits of holding excess land. It is, obviously, offset by losses to those against whom the bargaining power is used, and is not a net social benefit, but a mark of market failure.

The core Bass holdings are most of downtown Fort Worth: 15 full blocks and parts of 8 more. They also hold 9.9% of Texaco, which acquired all the Getty holdings in California; and much more around the world [L.A. Times, 10/84]. This includes a 300,000-acre "station" in Australia. Edward P. Bass is something of a patron of science but, like royal patrons of old, he bends science according to his whims. His exhibits and experiments, like "Biosphere 2″ (planet-in-a-bottle), are also designed to make money.

Walter Annenberg, whose primary residence is Wynnewood, Pennsylvania, maintains another residence in Rancho Mirage that includes a private golf course [Riverside Press-Enterprise, 12/85]. Water for this course is subsidized by U.S. taxpayers, and probably City of Los Angeles taxpayers, through a water-swapping arrangement with Metropolitan Water District of Southern California. Annenberg is the 84th richest American on Forbes' list. He is famous for entertaining U.S. Presidents in Rancho Mirage, not just socially but at official functions like the visit of Japanese Prime Minister Kaifu in March, 1990. Just what advice the host gives the guests on these occasions is not public.

The Mobil Land Development Corporation, a subsidiary of Mobil Oil, holds 1765 acres north of Redlands, east of Church St., straddling Baseline Road. The tract, known as East Highlands Ranch, is held for slow buildout over many years [Riverside Press-Enterprise, 1/85]. Buildout was made more profitable in the 1990s when the California Highway Commission constructed a multi-million dollar interchange off I-10, leading right to East Highlands.

Edward J. De Bartolo of Youngstown, Ohio, the 28th richest American on Forbes' list, held a major interest in the proposed Canyon Springs shopping center of the Edgemont annexation to Riverside. Riverside City Council endowed them with a $3 million sewer trunk extension, plus free use of the City sewage treatment plant, and priority in sewer hookups, which are rationed to others. (See below for ownership of Ralph's grocery store chain.)

De Bartolo was in partnership there with the Riverside firm of Thompson and Self (T&S), whose extremely rapid recent growth suggests the effect of a major influx of outside funds. De Bartolo and/or his son "Eddie" also own and finance the San Francisco 49ers.

T&S-De Bartolo devoted major but unsuccessful effort to aborting the proposed expansion of competing Tyler Mall, and the move there of Nordstrom's, a valuable anchor. Now, De Bartolo seems to have been replaced by the Rockefeller Brothers, and they by James Rouse. It would appear that major financiers control speculative land indirectly by financing local developers, using the latter's local political connections. T&S itself is not wealthy or liquid, narrowly avoiding insolvency in 1989. In May, 1991, it is again threatened with foreclosure for failing to meet payments on some $18 million owed one of its several creditors.

Tyler Mall, the main shopping center in Riverside, is owned by the Cigna Corp. of Connecticut, an insurance and finance firm. Riverside is a species of domestic 3d World battleground on which giant alien financial powers, working through surrogates as fronts, wage their "mall wars."

Von's now holds 360 grocery stores in California (after acquiring 172 Safeway stores). Such large chain landholdings tend to lessen competition, it is widely feared [L.A. Times, 28 May 88]. Congressmen who shop in Washington, D.C. know this first-hand. Washington food prices are conspicuously high, where Safeway is one of just two chains (the other is Giant).

Some of the acquired stores are probably on leased sites, which would help account for the low price of the Safeway acquisition, averaging $2.4 million per store. Long-term leaseholds often acquire some value of their own when the remaining years' payments are below the market; but not as high as fee simple titles.

Update, 1993. Von's, Southern Cal's biggest grocer, is gobbling up 53 leases released by Builders' Emporium "in a shut-out strategy against competitors." Von's is doing this by negotiating with Builders' Emporium itself, Irvine. The buildings are 40,000 sf to 90,000 sf, the right size for supermarkets, and are of course complete with vast parking lots in the requisite 5/1 ratio. Von's will convert 6-8 to markets, and "hold onto the others until commercial rents rebound – then market them to non-rivals." (TPE 15 Oct 93 C7) Salamon Bros. analyst Jonathan Ziegler praises this as "ingenious." "You're controlling who's in your market area." Ralphs had been looking, is shut out. (This may be "ingenious" for Von's, but is a zero-sum game with Ralph's, and a net loss for the market economy. Land is held idle simply to suppress competition: a clear case of market failure.)

Update, 1994. Vons has about 19% of the Southern California market; Lucky and Ralphs both have 14%. Vons, based in Arcadia, has 331 stores in Southern California, including some called Pavilions, Tianguis, and EXPO. Also, 15 in Las Vegas. (LAT 26 Apr 94 D1)

Alpha Beta. Owner of Alpha Beta (131 stores) is Yucaipa Company, which also owns the Boys (24 stores) and Viva (15 stores) chains, and Food 4 Less warehouse stores. All these are operated by Food 4 Less Supermarkets, La Habra. (Food 4 Less has been the only chain willing to serve South Central LA, and other communities with large minority populations.) Their value is estimated at $1 billion.

Former owner of Alpha Beta was, L.S. Skaggs, chairman of American Stores, Salt Lake City. Alpha Beta lost market share by failing to replace stores built in the 1960s. These became too small. It was preoccupied with its stores elsewhere, and allowed Alpha Beta to lose market sh

are.

In 1988, American Stores merged with Lucky Stores. It has 439 grocery stores in California and Las Vegas, but only 222 in Southern California. But in combination with Alpha Beta units, there would have been 370 stores in southern California alone. Its Lucky unit is based in Dublin, CA. It operates 1695 stores in 27 states, including the Sav-on unit, based in Anaheim. After anti-trust suits, it kept the Lucky stores in Northern California and put Lucky in charge of its new Alpha Beta stores. However, in Southern California. FTC blocked the purchase, so it sold 145 stores in southland to Yucaipa Co. (What happened to the excess of 145 over 131? — 14 stores closed, or sold?)

Grocery stores in auto-oriented Southern California require perhaps a 6/1 ratio of parking to floor space, so these "stores" are mainly landholdings. 360 stores at 5 acres each (estimated) would come to 1800 acres: a large figure when we consider it is all good retail space.

Ralph's grocery, 129 stores run from Compton, California, is held by Federated Dept. Stores, a Cincinnati-based chain, owned by De Bartolo plus other shareholders. It was acquired by Robert Campeau of Toronto, who was taking offers in 1988. Bidding was around $1 billion, or $7.8 million per store, much higher than the Safeway price.

Update, 9/94. George White, "Alpha Beta and Ralph's Merger Expected Soon." LAT 12 Sept., p.1. Ralph's (167 stores) and Alpha Beta (131 stores) expected to announce merger soon. Would then be larger than Von's. Von's has 19% of Southern California market; new merger would have 27%. The name Alpha Beta would be retired. Ralph's would be selling to Yucaipa. Payment would be $500 million, plus assuming debt of $1 billion. Thus, assets of new merger would be $2.5 billion.

From 10 to 30 of the Ralph's stores, and many of the Alpha Beta stores would be converted to Food 4 Less warehouse stores. Some stores would be closed, and people laid off.

McCrory Stores, headquartered in York, Pennsylvania, controlled by Meshulam Riklis, is a chain with 1289 stores around the U.S.A., 140 of them in California. In Rialto it has a 104-acre site at Cactus and Merrill. (TPE 9/87)

3. CALIFORNIANS

Many of our largest landholders also live in California. This is partly because the lands are here, but moreso because certain places in California are good places to live. One of the advantages of receiving property as opposed to labor income is it lets one choose his residence. California ranks after New York in the number of rich Americans (using Forbes' list) who reside here.

Also included here are California-based corporations. A corporation's "base" refers simply to the site of its headquarters: its shareholders are scattered around the world, and the major shareholders, who exercise control, are effectively screened behind layers of trusts and financial institutions, so they are impossible to identify with certainty.

The Newhall Land Partnership holds 123,000 acres, mainly in Los Angeles and Ventura Counties, from Valencia and Magic Mountain west down the Santa Clara Valley of the south toward Piru and Fillmore. The ancestral Newhall estate, occupied by Scott Newhall, is in Piru. The holding was originally a Spanish grant to the del Valle family. The Newhall family still controls the public partnership, with 40% of the shares. [L.A. Times, 3/86, 8/87]. The Newhalls are developing the city of Valencia, but slowly. Approximately 7,000 of its 10,000 acres remain undeveloped.

The Newhalls were early, major financial backers of the political campaigns for the Peripheral Canal bond issue to bring more northern water south. The immediate purpose of this proposed project was to valorize speculative landholdings like theirs on the fringe of the southern megalopolis. They joined in this campaign with other large development interests: the Irvine Company, Southern California Edison, Security Pacific Bank, Rockwell, Mission Viejo (the O'Neills), Bixby Ranch, and Union Oil [L.A. Times, 1/80]. Yeager Construction Company (highways and landholdings) led the campaign in Riverside County.

These same interests wield special influence on private and public higher education, working behind the scenes. They stand in well with the press: in fact, the Chandler family of the Times-Mirror Company is one of them, owning the vast Tejon Ranch. Scott Newhall was once editor of the San Francisco Chronicle. (It is alleged by Stanley Sapiro that "the Newhall ranch was assembled by the owners of the San Francisco Chronicle.") They dominate Chambers of Commerce. They generally dominate the Metropolitan Water District of Southern California (MWDSC), the regional water supply agency, which has long overtaxed the City of Los Angeles to subsidize expansion to outlying areas.

The Metropolitan Water District of Southern California is run by a Board of 50 Directors, representing 27 cities and districts that it serves. Those from cities are elected on the basis of "one-person-one-vote." Those from several outlying districts are electe
d by "one-acre-one-vote." Representatives from landowner-run districts remain the same from election to election, thus gaining seniority to dominate the 50-person Board.

Thus a handful of speculative landowners have as many votes as millions of city residents. Accordingly, MWDSC preaches water conservation in the cities while it keeps annexing new speculations at its fringes. It is probably no accident that its current President represents the Western Municipal Water District of Riverside County, an area dominated by land speculators. Many economists have criticized its persistent refusal to consider any kind of economically rational, cost-justified rate structure.

Irvine Company. In Orange County the remaining developable land is in a very few "strong, patient" hands. Smallholdings were sold and developed early. The largest holder is the Irvine Company, which is now led by Donald Bren of Newport Beach, the 30th richest American on Forbes' list. The holding is variously listed at 68,000 acres to 80,000 acres, about 1/6 of all the land in Orange County. Most of it is still undeveloped.

It was a Spanish land grant that got its Scotch name when James Irvine married into the family. It was tied up for years by the trustees of the Irvine Estate, according to various lawsuits and public statements of heiress Joan Irvine Smith of Middleburg, Virginia. Control passed to a Michigan group led by Henry Ford II and William Taubman and Max Fisher of Michigan, and more recently to Donald Bren of Newport Beach. Bren is a major contributor to Republican Party campaigns, as O'Neill (of Mission Viejo) is to Democratic campaigns. (James Minor, recently deceased potato baron of Riverside County, contributed to both, and showed special interest in electing the County Sheriff.)

All holders have devoted major efforts to contesting their property tax assessments. Property taxes on undeveloped land drain cash from an owner, getting his attention, and are for many owners their primary motive to dispose of surplus land. Until quite recently the Irvine policy was never to sell, only to lease land. Confrontations with lessees over escalating ground rents have been highly visible, and probably contributed to the recent Assessor's decision to upvalue the assessment considerably in excess of Bren's 1983 purchase price [L.A. Times, 1/29/84]. The Assessor has an unlikely ally also in Joan Irvine, who claims her shares have been undervalued in various settlements. Bren took the Assessor to court, but the resulting figure was nearer the Assessor's than Bren's.

Bren is not accelerating development and sales. In 1988 he cut the staff by 20%. The policy is to skim the cream of the market, but very slowly, by limiting development to highest quality. California's Proposition 13 of 1978, capping property taxes at 1% of market value, keeps the burden low and tolerable when prices are rising at 20% a year.

Rancho Mission Viejo is second in size at 38,000 acres. It is held by Richard O'Neill and his sister, Alice O'Neill Avery, 317th and 318th richest Americans on Forbes' list. Richard O'Neill is prominent in California Democratic Party politics. Irvine and O'Neill representatives are from time to time on various citizens' advisory committees to the NAGS campus at UCR.

The Mission Viejo Company, with 9,100 acres, comes in third It is held by Philip Reilly.

The U.S. Government holds 80,000 acres of National Forest and military land in Orange County [L.A. Times, 1/29/84]. Much of this is of low quality for development, but by no means all. Surplus land is seldom divested by any government agency, at any level. Once acquired it never appears in the budget, and is tax free. Bureaucrats never need justify or account for it; but if sold the proceeds would return to the general fund. They always find many "good" reasons not to sell.

Chevron Land and Development Company holds the Ontario Center, the former Ontario Speedway, 673 acres . It is still 90% vacant. Chevron, like Irvine, hews to a policy of slow sales and development [Riverside Press-Enterprise]. The parent Socal is, of course, an international major oil company, one of the "seven sisters," one of four partners in Aramco. Its total U.S. holdings, including oil leaseholds, are about 9 million acres [Hartzok; Rothschild]. It recently acquired Gulf Oil Company in the largest merger in history (turning 7 sisters into 6, like the Pleiades).

The Dominguez heirs represent an old Spanish grant of 75,000 acres, dating from 1784, courtesy of King Carlos III. Unlike most, they have held on to much of it. They own the Watson Land Company. One of its smaller projects is the Watson Industrial Center, 750 acres in Carson [L.A. Times, 9-86]. Dominguez lands are in the South Bay area on both sides of the San Diego Freeway. Dominguez heirs — there are many — also hung onto mineral rights in this oil-rich area. Water rights, too: the Dominguez Water Company supplies Torrance. There are also the Carson Estate Company and the Dominguez Properties, Inc. [Birmingham, America's Secret Aristocracy.]

Camarillo family. Camarillo, Calif., is a town that sprang up around the ranch of the Camarillo family. Dona Carmen Camarillo de Jones (!) is the family dowager, still spurning offers for the remaining 5,000 acres of the original Rancho Calleguas [Birmingham, p. 195].

The Los Angeles central business district is moving south along Figueroa, and as it moves, speculators anticipating it buy and hold land in the van. In the process they often neglect current uses, letting them go to blight. Among the large holders south along Figueroa are Transamerica, Occidental Life, Pacific Lighting, and California Hospital Medical Center.

The Agua Caliente band of Cajuilla Indians own much of Palm Springs, checkerboard fashion, through an ancient treaty. This puts them among the richest Indians, and richest Americans of any ethnicity.

Kaiser Steel has 2,000 acres in Fontana, originally acquired dirt cheap with federal aid to build a war plant. Its coal reserves are estimated at $500 million (TPE, 5/83). It has an oil rig division in Vallejo. It also seems to have established de facto ownership of the Eagle Mountain open pit iron mine in eastern Riverside County, on Federal land.

Kaiser may be bankrupt as a steel producer, but the dirt is no longer cheap, nor is it limited to the operating steel plant. Whether the liquidation value of this huge block of developable land will go to Kaiser creditors and bereft pensioners is unknown to me, but Kaiser may have followed the lead of Penn Central, and other prominent bankrupts, whose management first spun off valuable landholdings for the benefit of others.

In the 1980s, during the energy crisis, Kaiser aspired to become an energy producer. To this end it sought to acquire exclusive rights to combustible trash generated by various cities, including Riverside. The idea seemed to be to acquire monopoly rights before going into business. Nothing seems to have come of this directly, but it has evolved into a landfill project, as discussed next.

In the 1990s, Kaiser is trying to convert "its" empty open-pit iron mine into a land-fill to serve all of southern California. This entails violating the terms of its lease with BLM, which represents the U.S. Government, the landowner. BLM management has been complaisant, but some local political candidates are not, and this may be decided at the ballot box.

This also entails transporting trash over hundreds of miles, to do which it must establish an effective easement to have trash carried over the intervening rights-of-way. The matter is being vigorously contested.

Kaiser Aluminum has the same name and provenance as Kaiser Steel, but is a separate corporate entity, not sharing the woes of Kaiser Steel. It teamed with Aetna Insurance of Connecticut to acquire what is now Rancho California, originally an old ranch of over 100,000 acres. State-financed freeways and the California aqueduct brought urban value to
this once remote and arid area. Kaiser-Aetna set up "Kacor" to cash in, as they have been doing.

The Ronald Preissman family of Los Angeles held 1700 acres in the Perris Valley for 25 years. In 1988 they sold 600 acres of it to the Rancon Corporation, for $21,500 per acre, also to hold for the rise. The acreage is between Ramona Expressway and Nuevo Road. (TPE 9 April 88). Good timing by Preissman; bad for Rancon. Rancon is a real estate agency associated with Rancho California.

CalMat Cement holds $500 million worth of developable land in California. It has been "slow to develop real estate no longer needed for its business." A raider appeared in 1988: Ron Brierly of New Zealand. He bid $1 billion. (If they were smart, they sold.) (LAT, 24 March 88.)

Rohr Industries is headquartered in Chula Vista, CA; its holdings are interstate. Its Riverside plant on Arlington Avenue covers 80 acres (it also leases an east-side warehouse with 15 acres, and 24 acres in Moreno Valley). In 1984 the City of Riverside expanded its "Airport Redevelopment Area" to include Rohr, and help Rohr acquire more land. (TPE, Nov. 1986)

Rohr has long been one of the largest users of power from Riverside's municipally owned power system. It benefits hugely from quantity discounts given by the utility, plus a special exemption from the City utility tax given for consumption above a certain level. Only a very few customers receive this benefit, but about 1/3 of all the power sold by the utility is thus exempted from tax. The tax privilege was withdrawn in 1991, but Rohr and other beneficiaries are working hard to reinstate it. They still get the wholesale discounts. Their influence at City Hall must be experienced to be appreciated.

The Riverside Press-Enterprise. In most cities, the dominant local paper is the largest downtown landowner. The Riverside Press-Enterprise owns its site from 14th to Prospect Streets, and Olivewood to Orange Grove, right next to a Freeway interchange. Like Rohr Industries, it benefited before 1991 by the exemption of most of its power from the city utility user tax, and still enjoys quantity discounts. Just across the Freeway, using the Cridge Street overpass, is its Vine Street garage, with land for its fleet of 265 trucks, vans, and cars. (TPE, 19 June 86) The City recently eased its fleet operations by stopping traffic from 14th Street, giving the right-of-way to Kane Street, the stub connecting the Press-Enterprise to the 91 Freeway on-ramp.

The City has also loaned its power of eminent domain to the Press-Enterprise, helping it acquire the land along Olivewood by condemning private homes. Newspaper support is valuable when one runs for public office. About this same time, however, the Press-Enteprise shifted the focus of its news coverage from the City that shelters it to the whole suburban county. The families were evicted and the houses razed several years ago, but, as of October, 1994, the land is still vacant and derelict, not even used for parking. It is held for —what? The possibility of future need? Did this warrant condemning homes? Politicians are so loathe to use eminent domain to expand parks or schools, but the possible future expansion of a newspaper, that's different!

The Yeager family of Riverside built up its construction company business by anticipating where new highways were to go. They acquired gravel sources near at hand, which gave them an edge. After yielding gravel, the sites were available for other uses, like urban development. They have extensive holdings in the Agua Mansa district along the Santa Anna River, including parts of Riverside, Colton, and Rialto. They got this made into "The Agua Mansa Enterprise Zone," meaning they receive special tax breaks. They lease some land from Riverside County. (TPE, 2/86).

Homestead Land Development Company is a subsidiary of Homestead Saving & Loan, Burlingame. In 1988 it held 70 acres in Riverside, at Barton and Van Buren; 972 acres in Canyon Lake; a theatre in Moreno Valley; and 230 homes in Rancho California (renamed Temecula).

Homestead works with S.I.C. Corporation of Los Angeles (Allen Siegal?). S.I.C. develops the land, sells the finished lots to Homestead. The 1500-acre Orangecrest development is being handled this way (TPE, 4/88).

4. INSTITUTIONS

Institutions acquire land for their operations and then it tends to stick to them for various reasons. It is tax free, for one, so long as they retain it (and do not use it commercially). They are not subject to corporate raids. Thus there is no mechanism whereby the current opportunity cost of land is felt by management. It never appears in their budgets; they never need compete for or justify it. College Boards are not accountable to any public body, a precedent set by Marshall's U.S. Supreme Court in Dartmouth College v. Woodward, 1819.

Stanford University. The Stanford campus is known as "the farm." Its area equals one-third as much as the entire City of San Francisco, water and all. The land has a very high value for residential and commercial development. When and if some of it is so developed, the land finally becomes taxable. There is no effort, however, to collect back taxes on the century the land has been held tax free — let alone interest on that amount, with inflationary adjustments.

Public Colleges, however democratic, follow the same practices. Riverside Community College (RCC) acquired 120 acres at La Sierra and Freeway 91 about 1958, for expansion. The site is by an interchange. RCC has not expanded there, however, but acquired additional sites in Norco and Moreno Valley, the last as a "gift" from a developer whose surrounding lands would be greatly enhanced by the investment of millions of taxpayer dollars on the gifted land. Only today is there any plan to use the land. In 1991, Mayor Frizzel, supporting a neighborhood protest, vetoed a specific plan that offended the neighbors. President Kane of RCC took it fairly calmly, remarking to the press "we can wait." RCC has already been waiting 33 years.

The plan is not to use most of it for RCC purposes but to generate income from ground leases. The commercial portions will be taxable, but the speculative holding over 33 years was tax free, with no recapture of back taxes. Neither is there to be any capital gains tax, nor would there be even if they sold it outright.

California School for the Deaf acquired a 75 acre campus in 1953. The 6 acres on Lincoln Avenue have never been even grassed over and were declared surplus in 1986, after 33 years. [Riverside Press-Enterprise, 10/86]. Seven years later they have not changed, a total so far of 40 years without any use.

Sherman Indian School covers about 80 acres at Magnolia and Jackson, serving a very small number of students.

Loma Linda University (LLU). The La Sierra Campus includes a dairy farm of 300 acres, valued at about $30 millions as is. With the very survival of LLU in question there is talk of selling, but so far it remains just that, talk.

California Baptist College on Magnolia near Adams has lands beyond its needs along Magnolia, a prime location for apartments. In dire straights it is finally marketing a small portion thereof, but so far at a price so high the latest deal collapsed in early 1990. Later it was cobbled back together, but to date (May, 1991) there is no action.

University of California, Riverside holds over 1,000 acres in Riverside, and another large tract in Moreno Valley. The UC system overall holds 58,000 acres in 37 cties outright, plus 4,765 acres in other states, plus 67,000 leased acres . It is allegedly all used for "academic purposes" [Riverside Press-Enterprise, 4/78].

The Mormon Church for years held 1,514 acres in Woodcrest, until 1984 when they sold it to Beverly Hills developer Allen Siegel. The core of the Church's holdings, of course, is the central business district of Salt Lake City.

Los Angeles County holds a good deal of lan
d in its own name. It leased out the ground for Marina del Rey in the early 60s. It recently closed the Long Beach Hospital and leased out the 26-acre site to the Long Beach Signal Hill Business Center, for 66 years. The receipts go into the general fund and are used to serve the public. Actually, that seems not a bad alternative to taxation, provided politicians make no "sweetheart deals." Regrettably, that cannot be assumed.

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