

BOARD OF SUPERVISORS

# COUNTY OF HUMBOLDT

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November 12, 2007

The Honorable Judge Richard Schmidt  
United States Bankruptcy Court  
Southern District of Texas  
1133 North Shoreline Blvd.  
Corpus Christi, Texas 78401-2042

**Re: Chapter 11 Case Nos. 07-20027 through 07-20032**

**Scotia Development, LLC  
The Pacific Lumber Company  
Britt Lumber Company, Inc.  
Salmon Creek, LLC  
Scotia Inn, Inc.  
Scotia Pacific Company, LLC**

**Humboldt County California's Updated Response to the Debtors Plan to Develop and Sell the "Redwoods Ranch Development"**

Dear Honorable Judge Schmidt:

On November 6, 2007, the Humboldt County Board of Supervisors held a public meeting to consider extending the urgency ordinance prohibiting the issuance of building permits in lands zoned for Timberland Production (TPZ). That ordinance, adopted on October 9, 2007, was adopted in response to the Debtor's (PALCO'S) sudden unveiling of a plan to convert 22,000 acres of Humboldt County's commercial redwood forest into residential uses known as the "Redwood Ranch Development."

The Board's action on October 9<sup>th</sup> closed a perceived loophole in County regulations that could have allowed PALCO'S development without the County's discretionary review through the permitting of individual residences with building permits. Building permit applications, standing alone, do not provide for discretionary review, nor do they allow California's strict environmental laws to be applied. Although the County believed the scale of the project was inconsistent with existing plans and policies, PALCO took the position that the project was consistent since it was only "one residence, per parcel." The law firm of Gibson, Dunn, & Crutcher supported this viewpoint in a letter sent to the Chair of the Board and copied to County's attorneys on October 18, 2007. In that letter the firm informed the County that as long as the project being proposed was "one residence per patent parcel lot" it was "consistent with all existing zoning and land use constraints and would not require any change in existing zoning to be implemented."

The letter from Gibson, Dunn & Crutcher, while appearing to threaten the County with legal action for communicating with the Bankruptcy Court, served to reinforce the County's concerns about PALCO'S plans and emphasized the importance of the action taken by the Board on October 9<sup>th</sup> to temporarily close the regulatory loophole and send a strong message to PALCO that this project was inconsistent with local plans and policies.

On November 6, 2007, George O'Brien, President and CEO of PALCO, provided testimony to the Board that contradicted the description of the project as only "one residence, per patent parcel lot." Mr. O'Brien testified that the Redwoods Ranch Development is not a "parcel by parcel, unit by unit development" but is instead a "planned unit development – a master development." He indicated that the development was not planned as a series of "one after the other transactions." Mr. O'Brien informed the Board that the concept for the Redwoods Ranch Development continued to include equestrian stalls, lodges, golf courses and tennis courts in addition to the previously described "trophy homes."

In response to this testimony, Mr. O'Brien was told by members of the Board that a project of this magnitude would require a general plan amendment and a zoning change in order to be implemented. He was further informed that this type of master plan project would require comprehensive review under the California Environmental Quality Act (CEQA) and that any effort to seek an individual permit for a house in a development described as a master plan would be seen by the County as a "piecemeal" effort to obtain approval of a larger project by seeking individual permits for smaller parts, an action that violates CEQA law and would not be allowed.

As a result of Mr. O'Brien's testimony, and with the understanding that the Redwoods Ranch Development is not "one residence per patent parcel lot under existing rules" as his attorneys alleged, but instead was a master plan that could not be permitted under existing rules through building permits, the Board decided not to extend the urgency ordinance. Before making this decision, the Board gave Mr. O'Brien a clear message that any effort to permit this project one building permit at a time would not be allowed.

The Redwoods Ranch Development project as it is now understood continues to be inconsistent with existing plans and policies. A master plan development like this in resource timberlands, as it has been presented, is infeasible on its face and will require a general plan amendment and zoning change in order to be implemented as well as comprehensive CEQA review.

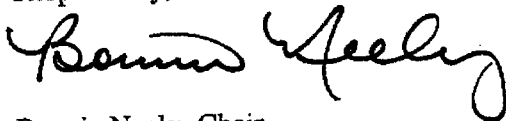
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In Humboldt County, the Board must approve the submittal of all general plan applications to the Planning Department. The decision to allow a general plan application to proceed requires that various findings be made, chief among them is that it is *in the public interest* to allow the application to go forward. The "public interest" finding is only made when the plan amendment is deemed necessary, and only when it has the support of a broad consensus of the public.

It might interest the Court to know that during the hearings on the adoption and extension of the urgency ordinance, while many people spoke in opposition to the Board's decision to suspend building permits, fearing negative consequences to small landowners, not a single member of the community spoke in support of PALCO'S Redwood Ranch Development.

Again, thank you for your time and careful attention to this matter.

Respectfully,



Bonnie Neely, Chair  
Humboldt County Board of Supervisors

BN:kh