Wall Street collapse kicks up Delta dust

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Article Launched: 10/24/2008 08:53:28 PM PDT

A levee on the right is fenced off along Stone Rd. in Bethel Island, Calif. on Friday, Oct. 24, 2008



BETHEL ISLAND — First there was the flooding. Then the bonerattling, drywall-cracking pounding of compaction equipment.

Now, the endless dust that has one of Marguerite Lawry's neighbors comparing Bethel Island to a movie set in desert sands.

"One of the guys says, 'You could have filmed Lawrence of Arabia on Stone Road yesterday," Lawry said. "From my house I can't see the road. It gets that bad that you can barely see it."

The source of the nuisance is a controversial housing development that, three decades after nearly 500 waterfront homes were approved, appears ready for hammers and nails.

But instead of construction crews and trucks, the 310 acres form a ghostly, fenced-off site with ramps leading from levee-top pads to empty docks in the new lagoon. Not a single home has been built.

What makes Delta Coves different from other stalled projects in the collapsed housing market — or perhaps a harbinger of things to come — is the developer is facing severe fines because it lacks the money to meet environmental rules.

In particular, the project has not protected the new levee from wind and erosion, which regulators say should have been done earlier this month. The engineered levee is massive enough that there is no realistic threat of it failing anytime soon, but it could end up needing expensive repairs. And the sand blowing and washing off it into the lagoon, nearby channels and on neighbors'

properties is not just a nuisance, it could clog drainage systems, which are particularly important on this Delta island that is more like a bowl surrounded by water than a traditional island.

The flow of water underground passes beneath Lawry's house on Stone Road toward Delta Coves. When sheet pile installed several years ago blocked the flow, water rose and flooded yards, "up to the axles on the RVs," Lawry said.

"They either have to pump it off or this street out here is under water," said Bethel Island Municipal Improvement District district manager Steve Spence.

Now, with the rainy season coming, state and local regulators are issuing citations and threatening the developer with heavy fines and other measures.

State water quality regulators have demanded the site be buttoned down for winter by Nov. 1 or face fines of up to \$10,000 per day.

Contra Costa County officials said this week they were investigating the possibility of calling one of the bonds posted by the developer to finish incomplete work.

"We're looking at the bonds and all the options we have," said Thom Huggett, interim deputy director of the county's building inspection division.

"The county may have to act in the interest of public safety by going after the bond," Huggett said.

He was unaware of any other instance where the county has called a developer's bond.

It would cost about \$300,000 to \$400,000 to hydroseed the levee to hold sand in place and prevent erosion of the new levee, Spence said.

Given the size of the project, which Spence said was more than \$140 million, that's not a lot of money. But the financial backer was Lehman Brothers, the investment bank that filed for bankruptcy on Sept. 15 and stopped funding the project.

"Lehman selected SunCal management to provide management service for the development of Delta Coves and we are reliant on their funding to carry out our management role for the owner," according to a statement from SunCal Companies, the lead developer. "Since the Lehman Brothers Holding Inc. bankruptcy took place, funding for Delta Coves has stopped.

"We have been in constant contact with Lehman representatives via email, telephone and in person, and despite practically daily assurance that funding for the development would soon resume, they have not carried out their financial commitment nor fulfilled their contractual obligations," the statement continued. "All of the complaints and violations we have received have been provided to Lehman and their advisers and discussed at length at every opportunity. We've repeatedly emphasized the urgency of this matter."

The county has had a testy relationship with the project for 20 years. First approved in the 1970s, the county tried to block it in the 1980s, but lost a federal lawsuit in which the court ordered the county to step aside.

Some residents have opposed the project because of the clash between luxury houses and the island's rustic character, while others welcome the influx of money the project would bring to the local economy. Bethel Island has about 2,000 residents, so a completed project with 494 houses and 33 condominiums would dramatically increase the population.

Other critics say the project is a prime example of bad land-use planning.

Bethel Island is as much as 20 feet below sea level in some places. Many of the houses are built on stilts because of the flood danger, and many others have living quarters on second or third floors.

The houses in Delta Coves would be built on a sturdy levee, but that design could increase the flood risk elsewhere because other portions of the island would fill with water faster.

"This is sort of scary in a sense," said Jeffrey Mount, a geologist at UC Davis who has been critical of new developments in the Delta and particularly on Bethel Island. "When you build these levees, they take constant maintenance."

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