

- Board of Directors
Executive Committee

December 14, 1999 Board Meeting

11-3

Subject

Request for Proposal (RFP) to secure Master Development for the entire Eastside Reservoir Recreation Component and appropriate necessary funding for the RFP and project entitlement processes.

Description

The Board has directed staff to finalize a proposed strategy to implement the Eastside Reservoir Recreation Component to reconcile regional water quality needs and reasonable community expectations, while encouraging public and private investment in an expeditious, cost-effective manner. Staff proposes that a Master Development Request for Proposal (RFP) be prepared and issued to secure a private sector master developer. The strategy would provide coordination of the RFP and the entitlement processes to deliver the most value for Metropolitan's investment. In so doing, staff assumes that entitlement will enhance the base value of Metropolitan's investment and would provide other benefits to Metropolitan and the community as well. Metropolitan's maximum investment would be \$58 million with the requested \$12.9 million appropriation as a first installment. The \$45.1 million balance would be the subject of future appropriations. See [Attachment 1](#) for a detailed description of the strategy.

In November 1997, the Board approved a Draft Eastside Reservoir Recreation Plan (Draft Plan). The scope of the Draft Plan evolved from the conceptual plan described in the Eastside Reservoir Project (ESRP) Final Environmental Impact Report certified by the Board in October 1991. While neither action created a legal obligation to provide any recreation facilities at Eastside, staff has continued the planning effort with the intent of preparing a broad-based, flexible Recreation Component. See [Attachment 3](#) for a description of the recreational features of the Draft Plan and the supplemental commercial features added through the ongoing planning process.

The planning process has been, and will continue to be, guided by the following parameters:

- Water quality and reliability are paramount
- Water operations take precedence over recreation
- Flexible recreation plan serves as a catalyst for meeting reasonable local community expectations
- Master plan development fully integrates public/private uses
- Recreation shall be compatible with the Dr. Roy F. Shipley Reserve activities
- Entitlements assure highest quality recreation development and create the highest possible value for Metropolitan
- Private and other public sector investments are maximized through a Master Development Request for Proposal (RFP)
- Small, minority and women business opportunities are encouraged

Costs for recreation planning were previously funded in the ESRP budget and \$5.606 million was expended prior to July 1999. These expenditures are to be transferred to the approved appropriation for recreation. See [Attachment 2](#) for a financial statement showing details of the appropriation.

In October 1991, the Board certified the FEIR for the ESRP. This action satisfied the provisions of the California Environmental Quality Act (CEQA), and no additional CEQA documentation is required for the Board to approve the recommended actions. Board certification will be required for a Subsequent Environmental Impact Report as part of the entitlement process.

Policy

Administrative Code Section 5108 requires board authorization to establish an appropriation.

Board Options/Fiscal Impacts

Option #1

Approve a development strategy of initiating an RFP process while obtaining entitlements in a sequentially coordinated manner. Grant authorization to establish appropriation (# 15334) in the amount of \$12,900,000 for the Eastside Reservoir Recreation Component. The requested appropriation would fund the development strategy for a 24-month period. Total long term budget costs would not exceed \$58,000,000 (present dollars). Activities to be funded would include costs of \$5,606,000 previously expended for previous recreation planning and an additional amount of \$7,294,000 for entitlement, RFP, proposed Community Park contribution and Metropolitan staff support.

Fiscal Impact: \$12,900,000. It is anticipated that appropriation requests in the amount of \$45,100,000 would be forthcoming to bring the recreation project total to \$58,000,000.

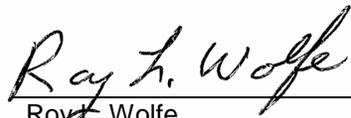
Option #2

Do not fund the Eastside Reservoir Recreation Component except the previously expended \$5,606,000 for recreation planning activities.

Fiscal Impact: \$5,606,000.

Staff Recommendation

Option #1

 Roy L. Wolfe Acting Manager, Corporate Resources	12/9/99 <i>Date</i>
 Ronald R. Jester General Manager	12/9/99 <i>Date</i>

- [Attachment 1 – Detailed Strategy](#)
- [Attachment 2 – Financial Statement](#)
- [Attachment 3 – Chart](#)

DETAILED STRATEGY

In November 1997, the Board approved a Draft Eastside Reservoir Recreation Plan (Draft Plan) describing the Eastside Reservoir Recreation Component (Recreation Component). The scope of the Draft Plan evolved from the conceptual plan described in the Eastside Reservoir Project (ESRP) Final Environmental Impact Report (FEIR) certified by the Board in October 1991. Neither action created a legal obligation to provide any recreation facilities at the Eastside Reservoir Project (ESRP).

Subsequently, staff continued the planning effort with the objective of entitling a broad-based, flexible Recreation Component. To maximize the revenue potential of the Recreation Component, supplemental commercial features were identified through a series of studies and incorporated into the Draft Plan. Prior to July 1999, \$5,606,000 was expended on recreational planning as part of the ESRP budget. In July 1999, the Board appropriated additional funds to ESRP for the completion of all remaining work with the exception of the Recreation Component. The action noted that an appropriation for recreation would be recommended in the near future for Board consideration and costs associated with the Recreation Component are to be transferred to the approved appropriation for recreation. See **Attachment 3** for a description of the recreational features of the Draft Plan and the supplemental commercial features added through the ongoing planning process.

STRATEGY

Responding to the General Manager's initiative to review all capital improvement projects presently identified, staff has evaluated the Recreation Component. Utilizing input from the Subcommittee on Real Property and Asset Management, staff is recommending a 24-month development strategy to implement the Recreation Component in an approach that reconciles the compatibility of regional water quality needs and reasonable community expectations, while encouraging public and private investment in an expeditious, cost-effective manner (Option #1). Staff proposes that a Master Development Request for Proposal (RFP) be prepared and issued to secure a private sector master developer. The strategy would provide coordination of the RFP and the entitlement processes to deliver the most value for Metropolitan's investment. In so doing, staff assumes that entitlement will enhance the base value of Metropolitan's investment and would provide other benefits to Metropolitan and the community as well. Staff proposes to initiate the entitlement process in accordance with the Agreement Among The Metropolitan Water District of Southern California, County of Riverside and City of Hemet Regarding Processing of Subsequent Environmental Impact Report for Modifications to the Recreation Plan of the Eastside Reservoir Project, Board Letter 7 – 5, February 23, 1998 (Three Party Agreement).

Upon Board approval, staff will prepare an RFP to secure master development for the entire Recreation Component. The RFP will include private sector advice on a regional Master Development Plan and the development of the RFP. Selection criteria will be included in the RFP and will emphasize the following:

- Developer experience (“track record”)
- Strength of development team
- Quality of prior projects
- Developer financial capability
- Financial structure of the proposal

The first action is preparation and issuance of the RFP. This sequencing will facilitate private sector input into the entitlement process. The Recreation Component will likely be developed in phases by the private sector. All public recreation components would also be included as required elements in any plan proposed by the private sector in the RFP.

The second action is to obtain the broadest, most flexible, “program-level” entitlement possible. Entitlement has a significant probability of substantially enhancing the base value of Metropolitan's land and would provide other benefits to Metropolitan and to the community. Sequentially coordinating the entitlement process with the RFP process is advantageous to Metropolitan. Selecting the developer early in the process provides the following advantages:

- Metropolitan has developer input into the entitlement process
- The entitlement process will not impose onerous constraints

- The resulting Master Development Plan will be economically feasible from a market perspective

ENTITLEMENT

The entitlement activity will be based on the conceptual recreation plan (Draft Plan) approved by the Board in November 1997 and will concentrate on processing entitlements from the County of Riverside and the City of Hemet, pursuant to the Three Party Agreement. The Three Party Agreement enables “fast-tracking” of the entitlement process in a cooperative manner. Metropolitan will seek the broadest, most flexible “program-level” entitlement possible. Entitlement will provide the following benefits:

- enhanced land value
- predictability in subsequent development through identifying mitigation and infrastructure requirements
- integrity of Metropolitan’s Eastside area land holdings including Lake Skinner and the Dr. Roy F. Shipley Reserve
- a means to meet the reasonable local community recreation expectations
- guide for future agreements with the private sector
- potential for long term revenue from a developed project

This level of entitlement will allow maximum flexibility in both the type of features and their locations in the recreation areas. Since the entitlements will not be project specific, the private sector master developer will be required to obtain individual project approval from the appropriate permitting agencies.

BUDGET

The requested appropriation of \$12.9 million would fund the development strategy for a 24-month period as follows:

- \$5.6 million previously expended for recreation planning
- \$3.2 million for entitlement processing
- \$0.2 million for RFP costs
- \$2.1 million for proposed Community Park and Regional Aquatic Facility
- \$1.8 million for Metropolitan staff support

As Metropolitan’s fiscal involvement is defined through the development strategy, it is anticipated that appropriation requests in the amount of \$45.1 million would be forthcoming to bring the recreation project total to \$58 million. For example, Metropolitan could participate in construction of infrastructure related to recreation facilities. In addition, Metropolitan may provide land for public projects at less than market lease rates, e.g., 10 acres for the proposed Western Center for Archaeology and Paleontology for \$1 per year.

Since the \$5.6 million has already been spent for recreation planning, this amount should be appropriated regardless of which option the Board selects. See **Attachment 2** for a financial statement showing details of the appropriation.

OPTIONS

It is anticipated that Option #1 will cost an additional \$7,294,000 beyond the \$5,606,000 previously expended. Metropolitan would recover these costs through the value created by entitlement and generate substantial additional land value over time. Typically, the general development industry standard holds that entitling land can significantly increase its base value. The actual increase will depend on the types of land uses approved through the entitlement process. Additionally, like any major land owner, Metropolitan seeks to control its property and enhance the property’s long term revenue potential. The process described in Option #1 will allow Metropolitan appropriate involvement in determining the future uses and value of its property.

The second option (Option #2) is to not fund the Eastside Reservoir Recreation Component except the previously expended \$5,606,000 for recreation planning activities. This option results in no project.

FINANCIAL STATEMENT

Eastside Reservoir Recreation Component

APPROPRIATION NO. 15334	BOARD ACTION NO. 1
Description	Projected Expenditures
Labor	2,177,000
Overhead	1,229,000
Expenses	94,000
Prof. Services	7,300,000
Contracts	2,100,000
Contingency	0
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TOTAL	\$12,900,000

Source of Funds: Pay-As-You-Go Fund

Projected Expenditures of Funds:

Through Fiscal Year 1998/99	5,606,000
Fiscal Year 1999/00	3,384,000
Fiscal Year 2000/01	3,910,000
TOTAL	\$12,900,000

Anticipated Future Appropriations:

Beyond Fiscal Year 2000/01	\$45,100,000
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RECREATION PROJECT TOTAL \$58,000,000

EASTSIDE RESERVOIR RECREATION PROJECT	
Features of the Draft 1997 Plan and Supplemental Commercial Features	
Feature	Description
MARINA AREA	
East Marina	11-lane boat ramps, 275 slips, 75 rental boats, fishing pier, day use
West Marina	8-lane boat ramps, 25 slips, 75 rental boats, fishing pier, day use, courtesy docks, dry boat storage
Shoreline Use	several small areas for picnicking, fishing, resting, and the 24-mile-long reservoir trail accommodating hikers, joggers, bicyclists, in-line skaters
Marina Infrastructure	roads, water, electric, sewer, gas, telephones, parking, site work
WEST RECREATION AREA	
Swim Lagoon	1-acre sand bottom pool center
Events Meadow	60 acres: fairs, carnivals, etc.; accommodating up to 5,000 people
Recreation Lakes	3 lakes: 100 acres for boating, fishing, Hobie Cats, sailboards
Equestrian Center	up to 28 acres: riding ring, grandstands, warm-up area
Day Use Area	65 acres: 500 picnic sites
Camping	350 campsites
Interpretive Centers	pre-historical and historical displays
West Infrastructure	roads, water, electric, sewer, gas, telephones
Supplemental Commercial Features	
Water Attraction	75 acres: white-water rafting attraction
Winery, Spa, Restaurant	12,000 sq. ft. restaurant, parking, open space
EAST RECREATION AREA	
Sports Complex	80 acres: 1 baseball, 3 softball, 6 soccer fields
Swim Pool	25-yard pool
Golf Complex	200 acres; 27 hole course, driving range, clubhouse, pro-shop, grill room
Events Meadow	35 acres: community events accommodating up to 5,000 people
Recreation Lake	77 acres: boating, fishing, Hobie Cats, sailboards
Day Use Areas	55 acres: 300 picnic sites
RV Resort & Rentals	450 RV sites
Interpretive Centers	paleontological, agricultural, pre-historical, historical displays, museum bookstore
Museum	Western Center for Archaeology and Paleontology
East Infrastructure	roads, water, electric, sewer, gas, telephones
Supplemental Commercial Features	
Lakeside Cabins	24 acres: 50 cabins, turf playing fields, promenade
36 Hole Championship Golf Courses	clubhouse, practice ranges, putting & chipping greens
Golf Training Facility	3-hole practice facility, driving range, parking
Conference Center	350-room hotel, 650-car parking
Lakeside Village	education center, restaurants, theaters, shops
Demonstration Farm	farmstead buildings, 40 acre orchard, equestrian staging area
SOUTH UNIT	
Supplemental Commercial Features	
Active Recreation Area with Commercial Village & Hotel	250 rooms, visitor activities, landscape, paths, hardscape and site furnishings
Golf Clubhouse & Spa	169 acres: 275 car parking
18-Hole Golf Course	Pro-shop, putting and chipping greens
Hiking, picnic, trail, open field play area	Long term: 18-hole golf course
SURROUNDING AREA	
Trails	Bicycling, hiking and horseback riding on 80 miles of trails throughout complex connecting with Lake Skinner, Crown Valley, Salt Creek (dirt bikes excluded)