

- **Board of Directors**  
**Asset, Real Estate and Infrastructure Policy Committee**

May 11, 2004 Board Meeting

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**10-6**

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**Subject**

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Presentation of the master plan for development of various properties east of Diamond Valley Lake

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**Description**

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During the design and construction of Diamond Valley Lake (DVL), Metropolitan acquired various real property assets with the primary objective of supporting lake construction, multi-species habitat conservation land use, and recreation development. Two significant parcels of land are east and northeast of DVL, primarily within the city of Hemet. In September 2003, Metropolitan's Asset, Real Estate and Infrastructure Policy Committee was presented with conceptual land use plans for the East Recreation Area and the property north of Domenigoni Parkway formerly known as the McSweeny Ranch, and now known as the Northern Property. As directed by the Metropolitan Board, a master plan for development of each of these two properties has been prepared and will be presented at the ARE&IP Committee in May. Following the committee discussion, the master plan will be revised, as appropriate, and documented in a draft report. The draft master plan report will be distributed to the Board for review and discussion at an upcoming committee meeting.

This master plan includes several key components:

- Development plan for recreational amenities within the East Recreation Area and residential/commercial development within the Northern Property
- Land use and phasing recommendations
- Property constraint analyses
- Market and financial feasibility assessment
- Business/financial strategy
- Proposed Environmental documentation

Development Plan: The development plan provides a proposal for the site layout, infrastructure requirements, density, and phased implementation of recreational, residential and commercial development. This plan remains consistent with the concept presentation to the ARE&IP Committee in September 2003. Entitlement of the properties is based on this development plan.

Land Use and Phases: The land use and phasing recommendations are both market-driven and policy-driven. Metropolitan's Board has already made substantial commitments to recreation development. These include the funding of The Center for Water Education, the East Marina, the North Hills Trail, approval of the Diamond Valley Lake Park Specific Plan, and lease agreements with the Western Center for Archaeology and Paleontology and the Valley-Wide Recreation and Park District. Additionally, grading within the East Recreation Area currently promotes the further development of a recreation lake, camping, RV campgrounds and a golf course. The land use and phasing analysis seeks to consider options for further recreation development including those elements listed above and not already funded. Additionally, the analysis seeks to identify how different recreational elements complement each other, so that their inclusion promotes compatible use and improves the financial viability of each element. With respect to the Northern Property, the analysis considers options for residential and commercial development. This analysis has been facilitated by the completion of a development agreement with the city of Hemet. This development agreement seeks to vest higher densities and land uses in the Northern Property which improves the potential future return on investment. Finally, the analysis considers the timing to bring the proposed stages of development to the market. For recreational, residential and commercial

development, timing the completion of development phases with corresponding market demand can be critical to the successful implementation of the program.

Property Constraint Analyses: The property analyses focus on key factors that influence the level of investment necessary to implement large development projects. These include geotechnical investigations, hydrology studies, traffic analysis, and various environmental efforts. The ability to estimate and economically address these efforts can have a substantial influence on potential land use options.

Market and Financial Feasibility Assessment: The market and financial feasibility assessment focus on the compilation and distillation of various reports and studies conducted to evaluate the market potential and financial feasibility of the various recreational, residential and commercial development options. The evaluations seek to contrast the level of investment required, the timing of the market for various land uses, on-going operational and maintenance costs, and the potential return on such investments.

Business/Financial Strategy: The business or financial strategy is the primary consideration in developing an appropriate approach to implement the Master Plan for these properties. Each month, the Board has been presented with an overall budget for recreation development of the East Recreation Area infrastructure, the East Marina, and the Trails program(s). Subject to board acceptance of the land use elements and timing proposals, the master plan has an option for establishing a final budget for recreational development of these three programs. Consistent with prior board direction, all recreational funding needs for these referenced programs in excess of the established budget would be augmented by investment returns from the Northern Property. The intensity, phasing, timing and/or disposition of the Northern Property should therefore be consistent with ensuring continued and adequate funding of the referenced recreation programs.

Environmental Documentation: The next phase of development requires the amendment of the Diamond Valley Lake Park Specific Plan and the McSweeny Ranch Specific Plan consistent with land use boundary changes and the master plan. Concurrently, the California Environmental Quality Act (CEQA) requires a full assessment of any potential environmental effects associated with the adoption of these plans. Specialized environmental studies are required to determine the baseline conditions in the area and also determine if the amendments to the adopted specific plans could result in any potential significant environmental effects. If such effects are identified, then potentially an Environmental Impact Report would be necessary to comply with CEQA and to support these amended specific plans in subsequent board actions.

Staff will provide for board-consideration approaches to proceed with the implementation of the master plan. In addition, staff will continue to implement the next stage of development of the East Recreation Area and Northern Property by negotiating amendments to existing professional service agreements or preparing RFPs for additional professional resources so as to permit the amendment of specific plans, the undertaking of environmental surveys and the preparation of an Environmental Impact Report. Authorization to fund and execute an amended or new professional services agreement will be the subject of future board actions.

**Policy**

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California Public Resources Code

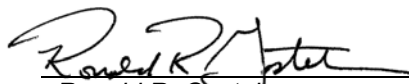
**Fiscal Impact**

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 Roy L. Wolfe  
 Manager, Corporate Resources

5/5/2004  
 Date

  
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 Ronald R. Gastelum  
 Chief Executive Officer

5/5/2004  
 Date