

- **Board of Directors**
Business and Finance Committee

July 8, 2008 Board Meeting

Revised 8-4

Subject

Approve plan for entitling DVL Property and evaluating options for the DVL Visitor Center

Description

At the May 27, 2008, Board Workshop on the Diamond Valley Lake (DVL) Property and DVL Visitor Center, the Board asked staff to prepare plans for the entitlement of the District-owned properties in Hemet known as the North Property (731 acres) and the East Recreation Area (1,010 acres), as well as for evaluating potential partnership(s) and use(s) for the DVL Visitor Center. This letter presents the plans for board approval.

Entitlement Process

Metropolitan commenced planning for construction of a new reservoir in western Riverside County in the 1980s. Upon approval of the Final Environmental Impact Report (FEIR) on October 8, 1991, Metropolitan's Board selected the Diamond Valley site as the project location and authorized the purchase of all lands necessary for the construction and operation of the reservoir. Ultimately, Metropolitan acquired approximately 20,000 acres of land for \$365.6 million, including relocation assistance, outside counsel, appraisals, and other related costs. Much of this property is designated as reserve land and is permanently protected as mitigation for the environmental impacts of Metropolitan's projects. Approximately 4,000 acres, mostly located adjacent to the east and west dams, were utilized for soil storage and disposal during construction and are now designated for mixed use, including commercial, residential, and recreational development ([Attachment 1](#)).

The North Property consists of approximately 731 acres, which is the remainder of property acquired for construction of Salt Creek Channel and Domenigoni Parkway, facilities that were built in conjunction with the reservoir. Most of the North Property consists of the former McSweeney Ranch, which was purchased from a developer. The developer had obtained approval for a specific plan for the residential and commercial development of the property. The 1991 specific plan remains in effect as the basis for land use entitlements for the property within its boundaries.

The East Recreation Area covers the area south of Domenigoni Parkway lying between a wildlife corridor at the base of the East Dam and State Street. Following construction of the reservoir, Metropolitan agreed to the annexation of this area into the City of Hemet. Metropolitan prepared, and the city approved, the Diamond Valley Lake Park Specific Plan (DVLSP) to allow recreation development on 538 acres of the total 1,010 acres in the East Recreation Area. The DVLSP establishes the basic land uses, infrastructure, and development requirements for the area within its boundaries, with the remaining area zoned for agricultural use. Following adoption of the DVLSP, Metropolitan entered into two long-term ground leases for the education complex housing Metropolitan's DVL Visitor Center (formerly the Center for Water Education) and the Western Center for Archaeology and Paleontology (Western Center). Metropolitan also leased 85 acres to the Valley-Wide Recreation & Park District (Valley-Wide) for an aquatic center and future ball fields. Metropolitan has developed its own recreation facilities at the reservoir, including the East Marina, which allows fishing and boating on the lake, a viewpoint overlooking the lake, a hiking/biking trail around the lake, and a hiking/equestrian trail in the hills on the north side of the lake. In addition, Metropolitan has provided the basic infrastructure to support all of these uses, including roadways and utilities. As of March 1, 2007, Metropolitan has invested almost \$90 million

in recreation and infrastructure, excluding construction of the reservoir itself and the land value of the property dedicated to recreation.

Consistent with direction received at the May 27 workshop, staff intends to move forward with the entitlement process for both the North Property and the East Recreation Area. The entitlement process establishes the right to develop land with applicable government approvals. Entitlements typically define three major elements of future development: the type of allowed uses (e.g. housing, commercial, industrial, recreational, etc.); the density of allowed uses (e.g. how many housing units per acre, how many square feet of office space per acre, etc.); and the requirement for infrastructure such as utilities, storm drains, and roads. Perfecting entitlements on a land parcel increases the underlying value of the land by clearly defining the parcel's development potential and eliminating a portion of development risk.

As real estate market conditions have softened in the short term, particularly with regards to our unentitled land, and given the length of time required to complete the process, this is a good time to undertake property entitlement. The City of Hemet is also currently undergoing a General Plan update and the City Council is expected to approve the Updated General Plan in 2009. Metropolitan will be able to tier off of the General Plan update and work closely with city staff to identify the combination of land uses, density, and infrastructure requirements that can support recreation uses in the East Recreation Area.

The entitlement process will begin with the selection of an outside consulting team to provide the necessary technical expertise. The selection process is estimated to take approximately 100 days. Contracts for consultants will be brought back to the Board for approval. The planning process and CEQA certification, including all of the technical analysis and public outreach, should take approximately two years to complete (**Attachment 2**). The cost of the two-year entitlement process is estimated to be \$3.6 million, including Metropolitan staff time, outside consulting costs, and City of Hemet staff and permitting costs (**Attachment 3**). These costs will be funded out of the DVL Recreation budget.

A recreational infrastructure business planning process will also be undertaken in parallel with the entitlement process to be consistent with the five tenets approved by the Board at its January 16, 2007 Workshop. Those tenets are:

- Metropolitan will develop basic recreational infrastructure;
- Metropolitan will have a management oversight role – facilities will be operated and maintained by others;
- Construction of basic recreational infrastructure will not impact future water rates – future construction to be funded from sale of land at DVL;
- Metropolitan will work with the City of Hemet to support the development of the North Property and East Recreation Area consistent with the principles of a sustainable community; and
- Metropolitan will prepare a comprehensive business plan to set clear budget objectives, assure fiscal prudence, and assure implementation of the program in an expeditious manner.

Staff will return to the Board with options to define the basic recreational infrastructure, along with estimated capital and operations and maintenance (O&M) costs for each of the options.

DVL Visitor Center

At the May 27 Board Workshop, the Board directed staff to meet with potential partners regarding possible uses of the DVL Visitor Center. During the next three months, staff, with the assistance of consultants, will pursue discussions with additional potential partners regarding partnerships that are long-term, strategic and compatible with Metropolitan's mission. Possible partnerships in areas such as workforce training, conservation, sustainability, and climate change will be explored. Criteria for selection of partner(s) and use(s) include: compatibility with Metropolitan's mission; willingness to enter into relationship; financial stability and ability to secure grant funds; adequate level of staffing; and benefit to Metropolitan's member agencies. Staff is beginning

the process with the unsolicited offers that have been received over the past 18 months. Board members are encouraged to provide staff with contacts that they may have with viable and interested partners.

Staff plans to present options to the Board for its consideration in the fall of 2008. In the meantime, staff will continue to operate the DVL Visitor Center and the DVL educational program. O&M costs will not exceed the current operating levels.

Policy

Metropolitan Water District Act -- Section 140 (in part) [Acquisition and Disposal of Property; Implied Powers]: A district may take by grant, purchase, bequest, devise or lease, and may hold, enjoy, lease, sell or otherwise dispose of, any and all real and personal property of any kind within or without the district and within and without the state necessary or convenient to the full exercise of its powers.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #3:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Prior to formal approval of projects that may be developed as a result of this action, a full CEQA analysis will be performed and appropriate CEQA documentation will be prepared and processed in accordance with the State CEQA Guidelines. Metropolitan's Board will then review and consider the CEQA documentation before taking further action.

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15601(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and approve proceeding with the process for entitling the DVL North Property and East Recreation Area, and evaluating options for the DVL Visitor Center, subject to future board approval of any proposed development plan. **All costs associated with this effort and future recreation development would be funded from the sale of surplus properties at Diamond Valley Lake.**

Fiscal Impact: \$3.6 million for the two- to three-year entitlement process and \$37,000 in monthly O&M costs for the DVL Visitor Center.

Business Analysis: Establishing updated land use entitlements for the North Property and East Recreation Area will provide a basis for economically realistic planning and decision-making on the balance of the recreation development.

Option #2

Delay proceeding with the process for entitling the DVL North Property and East Recreation Area, pending development of a plan for operating existing recreation facilities (East Marina and DVL Visitor Center) on a self-sustaining basis.

Fiscal Impact: Delays expenditure of \$3.6 million for the entitlement process while the remaining project budget for ongoing operations of existing facilities is utilized to move those facilities to a self-sustaining basis.

Business Analysis: Preserves the existing project budget amounts until ongoing costs incurred by Metropolitan for existing recreation uses have been resolved.

Option #3

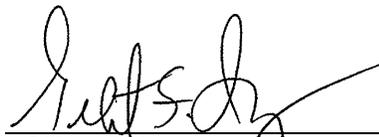
Adopt the CEQA determination and approve proceeding with the process for entitling the North Property only, delaying further recreation planning pending disposal of the entitled surplus North Property and development of a plan for operating existing recreation facilities (East Marina and DVL Visitor Center) on a self-sustaining basis.

Fiscal Impact: The cost of the entitlement process would be reduced, but would be expected to be higher overall if separate entitlement processes are required for the North Property and East Recreation Area.

Business Analysis: Establishing the amount of funding available following sale of the surplus property and resolution of ongoing costs will provide a basis for economically realistic planning and decision-making on the balance of the recreation development. This approach would forego cost savings of processing the entitlements for both properties jointly, and potential value added to the surplus property due to the proximity to enhanced recreation facilities.

Staff Recommendation

Option #1



Gilbert F. Ivey
Chief Administrative Officer

7/7/2008
Date



Jeffrey Nightlinger
General Manager

7/7/2008
Date

Attachment 1 – DVL North Property and East Recreation Area

Attachment 2 – Schedule to Complete Specific Plan and Tentative Tract Map Processes

Attachment 3 – Estimated Budget for Entitlement of North Property and East Recreation Area

Attachment 1: DVL North Property and East Recreation Area



Attachment 2: Schedule to Complete Specific Plan and Tentative Tract Map Processes

Task Name	2008						2009						2010														
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		
Consultant Selection , Scoping and Contract Negotiations		■																									
Initial Planning and Due Diligence						■																					
Project Alternatives and Business Analysis									■																		
Project Description																											
Prepare Tentative Tract Map (TTM)										■																	
Technical Analysis, Environmental Documentation, Review and Revision												■															
City of Hemet Review, Public Outreach, Revisions																■											
Review, Revision of TTM												■															
City of Hemet Review of TTM																	■										
TTM Review and Revisions																											
Planning Commission/City Council Specific Plan Review and Approval																											
Planning Commission/City Council TTM Review and Approval																											

■ Specific Planning Process ■ Tentative Tract Map

Attachment 3: Estimated Budget for Entitlement of North Property and East Recreation Area

Cost Category	Estimated Cost
Metropolitan Staff Costs	\$630,000
Consulting Team Technical Services	2,000,000
Permitting and Fees, North Property	600,000
Staff Costs, City of Hemet	410,000
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	\$3,640,000