



- Board of Directors
Real Property and Asset Management Committee

9/10/2019 Board Meeting

8-3

Subject

Authorize the granting of a 30-year lease agreement to Riverside County Regional Parks and Open Space District to continue to operate a public recreation facility at Lake Skinner, in the Winchester area of Riverside County; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Executive Summary

This action authorizes the General Manager to enter into a new, 30-year lease agreement with Riverside County Regional Park and Open Space District (County Parks). The proposed lease will allow the continued use of Metropolitan's fee-owned property as a public recreation facility at Lake Skinner. The lease area is located both on and directly east of Lake Skinner at 37701 Warren Road, in the Winchester area of Riverside County (County) (Attachment 1).

Details

The property around Lake Skinner was originally acquired for the construction of the reservoir and the adjacent Lake Skinner Treatment Plant and watershed protection. The proposed lease area includes the majority of the lake, the shoreline, and land to the east of the lake. The area is surrounded on three sides by the existing Southwest Riverside County Multi-Species Conservation Reserve, with the Lake Skinner Treatment Plant to the west. Metropolitan does not have any facilities within the boundaries of the leased area except for the lake. Since 1973, Metropolitan has leased the Lake Skinner recreation area to the County for secondary use. In 1990, County Parks, an independent special district, assumed responsibility for the lease. This lease agreement has provided recreational opportunities for millions of Southern California residents while helping protect water quality in Lake Skinner.

At the time of the planning and construction of Lake Skinner and its adjacent water treatment plant, the County advised Metropolitan of its strong interest in developing Lake Skinner for limited recreational use to help alleviate the shortage of public recreation opportunities in Southern California. After extensive research, Metropolitan's Board concluded that it was feasible to open Lake Skinner for limited public recreation use and that the County and later, County Parks, who had extensive experience with recreation, were the best option to manage recreation at Lake Skinner. The Board further determined that management of Lake Skinner by the County and later County Parks provided mutual benefits that offset Metropolitan's potential operation and maintenance (O&M) costs. Metropolitan agreed to permit the use of a portion of Lake Skinner and certain contiguous property to establish and operate a public recreation facility provided there was no infringement on Metropolitan's water supply and operations.

In 2002, Metropolitan began restricting the types of boat engines allowed in Lake Skinner, which would have obligated County Parks to make a substantial investment in boat engines for its boat rental activities. These restrictions were required to protect water quality from certain boat fuels. This investment was a financial hardship for County Parks as it was experiencing operational budget shortfalls of between \$200,000 and \$400,000 per year from Lake Skinner operations. The lease was up for renewal in 2003 and County Parks had informed Metropolitan that it was unlikely to renew the lease. As a result, Metropolitan agreed to assist County Parks with acquiring new engines as well as other incentives, including forgoing rent and giving a water credit up to \$100,000 annually for the lease area to make the recreational operations viable in a manner that maintained water quality. This information was presented to the Board in 2004 and a lease amendment was executed at the

start of 2005, which extended the term by 25 years to 2030. In particular, County Parks agreed to provide security and patrolling functions, plus expanded maintenance, that would otherwise be performed by Metropolitan. Cost avoidance for Metropolitan and proper incentives to County Parks has ensured the viability of Lake Skinner as a regional recreational facility.

Since 2003, County Parks has invested an average of \$500,000 per year on operations and capital improvements to the recreation area facilities. County Parks has been very successful in attracting visitors to the Lake Skinner recreational area in a manner that still protects and enhances the water storage functions of Lake Skinner. Over 230,000 visitors mainly from within Metropolitan's service area, visited the area in 2018. Metropolitan's annual Solar Cup event is held in the recreation area with support from County Park's management and staff. Additionally, the Temecula Balloon and Wine Festival attracts close to 35,000 visitors to the site during the annual event.

County Parks capital improvements have included repaved roads, replacement of a high water use swimming pool with a low water use splash pad for young children, turf removal, planting of low water use plants, expansion of the Lake Skinner trail system, sewer upgrades, and the construction of an open-air amphitheater that is the site of many public events throughout the year. In addition, County Parks, through its splash pad and trail system, has helped educate its visitors about how water is brought to arid Southern California and the importance of conservation. To date, County Parks continues to enhance the Lake Skinner recreation area through several current and planned capital improvement projects including, infrastructure repair of a sewer lift station, paving interior roadways in the campgrounds and parking lots, building a new kiosk and camp restrooms, and upgrading irrigation and electrical systems throughout the park in order to enhance efficiency.

County Parks views itself as a steward of the land and partner for the long-term success of the Lake Skinner recreational area and the surrounding lands. This is evidenced by County Parks' commitment to fund the planning and design of a maintenance building with the intent of sharing space with the Southwest Riverside County Multi-Species Reserve. In addition, County Parks funded half of the cost for a trails feasibility study to connect Lake Skinner and Diamond Valley Lake. The successful partnership between Metropolitan and County Parks is evidenced by the popularity of Lake Skinner as a premier regional destination and recreational facility. Under the lease, County Parks provides the following benefits to Metropolitan nature and conservation education; cost avoidance for maintenance; enhanced Park Ranger security; weed abatement; and prevention of illegal dumping and trespassing. County Parks desires to continue this positive partnership with an expansion of its ranger patrol as trail development continues.

Although the current lease does not expire until 2030, County Parks has requested the grant or extension of tenancy rights until 2049 in order to qualify for certain non-competitive grants that will fund up to \$12.6 million for future capital improvements: the California Division of Boating and Waterways requires a 25-year occupancy right for grants, and the California Department of Parks and Recreation requires a 30-year occupancy right for its grants. In addition, the concessionaire for County Parks seeks a 30-year concession agreement to recapture the value on planned improvements at Lake Skinner. As a result, the authorization of a new lease agreement with anything less than a 30-year term would prevent the Lake Skinner recreation area from receiving vital funding and investments. As the current lease was originally established in 1973 and has since had six amendments, staff recommends a new lease, which conforms to Metropolitan's updated lease standards and outlines the parties' obligations.

Since Metropolitan avoids recurring costs for maintenance, weed abatement, illegal dumping, security and trespassing, County Parks is proposing that Metropolitan again forego for the most part the collection of annual rent and instead require reinvestment of any net revenue in the Lake Skinner recreation area. Metropolitan has also removed the water credit provision, which will save Metropolitan up to \$100,000 annually. County Parks has also agreed that any unused net revenues, if any, at the conclusion of the new lease agreement's term would be provided to Metropolitan.

The proposed lease will have the following key provisions:

- Subject to Metropolitan's paramount rights;
- Incorporates applicable boating and recreational rules and regulations for Lake Skinner and Diamond Valley Lake;
- Thirty-year term;
- Any net revenues from operations will be reinvested in the Lake Skinner recreation area; and
- Lessee responsible for the upkeep of the property, including security, trash removal, and weed abatement.

Board authorization to grant this lease is required because the term exceeds five years.

Policy

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisal of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48766, dated August 16, 2011, the Board adopted policy principles for managing Metropolitan's real property assets

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action consists of the leasing, licensing, maintenance, and operating of existing equipment and facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination. In addition, it will not have a significant effect on the environment. Accordingly, this proposed action qualifies as a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize a 30-year lease with Riverside County Regional Parks and Open Space District to operate a public recreation facility at Lake Skinner.

Fiscal Impact: Metropolitan avoids O&M costs, and saves up to \$100,000 in an annual water credit provided to County Regional Parks and Open Space District.

Business Analysis: Continues long-term mutually beneficial landlord-tenant relationship.

Option #2

Do not authorize the lease agreement

Fiscal Impact: Under the current lease, Metropolitan may incur up to \$1.1 million in water credit costs for the duration of the current lease, through 2030.

Business Analysis: Without the award of a new lease with an extended term, County Parks may not be able to secure grant funding for the proposed improvements, which could make it more difficult for them to continue operating the recreational facilities.

Staff Recommendation

Option #1



Octavia T. Tucker
Interim Group Manager
Real Property Group

8/27/2019

Date



Jeffrey Knightinger
General Manager

8/29/2019

Date

Attachment 1 – Site and Location Maps

Ref# rpd12671055

Site and Location Maps



