



- Board of Directors
Real Property and Asset Management Committee

8/17/2021 Board Meeting

7-7

Subject

Authorize the General Manager to enter into a ten-year agreement with Urban Park Concessionaires to operate and maintain the marina facility at Diamond Valley Lake in the City of Hemet; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action authorizes the General Manager to enter into a ten-year agreement with Urban Park Concessionaires. The proposed agreement will allow continued recreation operations at the Diamond Valley Lake Marina and will include a financial obligation from the concessionaire to upgrade and expand recreation amenities. The current lease agreement with Urban Park expires on September 30, 2021.

Details

Background

In 2003, Metropolitan's Board authorized funding for construction of the Diamond Valley Lake (DVL) East Marina Phase I, that focused on the development of facilities necessary for a functional marina. In response, staff advertised a request for proposals (RFP) to initiate an agreement for services at the East Marina through an experienced concessionaire who would be responsible for managing daily marina and rental fleet operations, a fee collection reservation system, fish planting, lake security, sanitation and waste removal, and other related services. Metropolitan received two responses, and Urban Park Concessionaires (Urban Park) was identified as the respondent that provided the best overall value in response to the RFP. Metropolitan entered a 30-month agreement with Urban Park with the intent of pursuing a long-term agreement prior to the completion of Phase II marina facilities.

The ensuing years brought a series of financial and water supply challenges resulting in reduced capital investment by Metropolitan on the marina facilities and decreased lake elevations making a viable concession operation challenging to establish. As a result, the Urban Park agreement was amended multiple times and extended through September 2011.

In October 2011, with a lake elevation that encouraged visitor attendance and provided reasonable gross revenues, Metropolitan renegotiated the agreement with Urban Park and entered into a short-term lease whereby Metropolitan no longer paid a management fee, nor reimbursed for expenses or for marina support services. With the renegotiated agreement, Urban Park assumed responsibility for the marina operations and began paying rent to Metropolitan equal to seven percent of gross revenues. With the introduction of the Quagga Mussel in California and in an abundance of caution, a watercraft inspection and tracking system was introduced at DVL. Urban Park cooperated with Metropolitan and began a rigorous and successful preventative process. The rental amount was subsequently reduced by a monthly \$1,250 credit to compensate for the added Quagga Mussel watercraft inspections and tracking process.

In May of 2016, the Board authorized the East Dam Electrical Upgrade Project and The Marina Restroom Facility Project to enhance the viability of self-sustaining marina operations. Staff returned to the Board in August of 2016 for authorization to extend the agreement with Urban Park. The Board approved the lease amendment that incorporated a four-tier rent and expense reimbursement structure based on lake elevation, again in response to the significant drop in lake elevation.

In the fall of 2018, Staff advertised a request for proposals offering up to a 30-year lease that would include the development and operation of a world-class marina with the goals of securing private capital investment in recreational facilities, expanding retail, food services, and events, thereby creating additional recreation amenities to attract greater visitation. Despite being widely advertised within the marina and recreation industry, Metropolitan received only one response, which was submitted by the current operator, Urban Park. Their proposal was limited, and it did not include the capital investment in the expansion of recreation facilities that Metropolitan was seeking in exchange for a long-term lease. Urban Park cited the challenges with major lake elevation fluctuations severely impacting their business and the lack of potable water and sewer utilities at the marina. Metropolitan concluded that the single offer did not warrant entering a long-term lease.

During the past year, Metropolitan refurbished the wave attenuator that provides breakwater protection to the boat launch area; and is currently in the preliminary design phase of a second attenuator that will complete the wave attenuating system. The wave attenuating system will protect the boat launch area, making it safer for boaters to approach the shore, and will protect the boat fleet owned by the concessionaire from damaging wave action. With these limited improvements, Urban Park has indicated that they are interested in pursuing a ten-year agreement in exchange for a reasonable financial investment to stimulate marina use.

The proposed agreement will have the following key provisions:

- Subject to Metropolitan's paramount rights to operate the reservoir for water storage and supply purposes.
- Ten-year term.
- \$1,000 credit towards quagga mussel inspections.
- \$750,000 required recreational equipment and related marina equipment investment.
- Metropolitan choosing to terminate in the first five years triggers Lessee reimbursement up to \$75,000 for actual facility improvement expenses.
- Rent is based on a percentage of gross receipts that is determined by lake elevation in accordance with four predetermined tiers, as shown in **Table 1**.
- Rent will be deposited into a maintenance fund to be reinvested in the DVL marina facilities per Metropolitan's approval.
- In Tier 4, Metropolitan will reimburse the concessionaire \$10,000 per month for up to 6 months per year for actual expenses.

Table 1

	Tier 1	Tier 2	Tier 3	Tier 4
	Able to launch	Able to launch	Able to launch	Unable to launch
Elevation (feet)	1736 and above	1690 - 1735	1655 - 1689	1654 elevation and below or Metropolitan closure of the lake
Rent (%of gross receipts) into maintenance fund	15%	10%	5%	N/A
Expense Reimbursement	N/A	N/A	N/A	Not to exceed \$10,000/month

Policy

Metropolitan Water District Administrative Code Section 8230: Grants 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

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 ten-year agreement with Urban Park to maintain, operate and invest in the marina recreation facility at Diamond Valley Lake.

Fiscal Impact: The proposed investments by the concessionaire are expected to bring in additional revenue that will help Metropolitan reduce or avoid O&M costs for the marina operations.

Business Analysis: The continued long-term, mutually beneficial landlord-tenant relationship will increase amenities to the marina for public recreational use.

Option #2


Do not authorize the agreement.


Fiscal Impact: Metropolitan would forfeit \$750,000 in recreational upgrades and will have increased O&M costs.

Business Analysis: Metropolitan would transition to a month-to-month basis with Urban Park without the stability of having a marina operator under a multi-year agreement. Metropolitan would also forego the opportunity to enhance recreational offerings to the public.

Staff Recommendation

Option #1

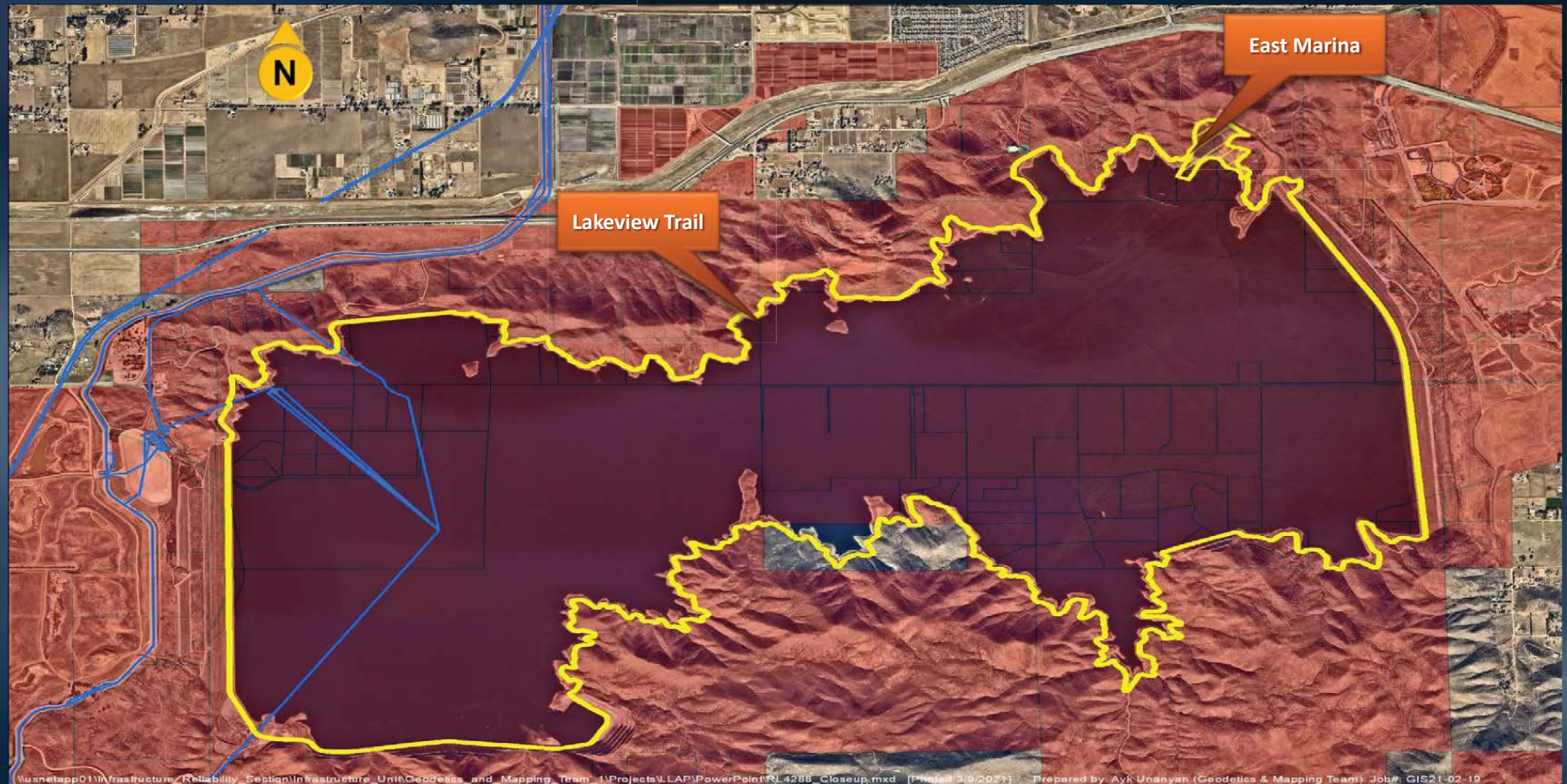

Lilly L. Shraibati
Group Manager
Real Property Group
8/2/2021
Date


Adel Hagekhalil
General Manager
8/4/2021
Date

Attachment 1 – Site Map

Ref# rpam12675671

Site Map



\\usnetapp01\Infrastructure_Reliability_Section\Infrastructure_Unit\Geodetics_and_Mapping_Team_1\Projects\LLAP\PowerPoint\SL4288_Closeup.mxd [Printed 5/9/2021] Prepared by: Ayk Unanyan (Geodetics & Mapping Team) Job#: CIS21-02-19