



- Board of Directors  
*Real Property and Asset Management Committee*

10/12/2021 Board Meeting

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7-9

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## Subject

Adopt a Resolution declaring certain Metropolitan-owned real property in the Palo Verde Valley in the counties of Imperial and Riverside as exempt surplus land pursuant to California Government Code Section 54221; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

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## Executive Summary

Recent updates to the California Surplus Land Act (Government Code 54220, et seq.) and provisions of the Metropolitan Administrative Code (collectively, "Surplus Land Regulations") require a Board declaration in the form of a resolution that land is "exempt surplus land" that is dedicated to listed agency purposes before Metropolitan may lease such land to others. The use of a resolution mainly changes only the form of documentation of the agency purposes being furthered by Metropolitan leases that were previously memorialized in written board letters, meeting minutes, and other documents.

Metropolitan owns land within the Palo Verde region in both the county of Riverside and the county of Imperial. These lands have historically been leased by Metropolitan to farmers under innovative leases that encourage water supply preservation and efficient water consumption in a manner that is consistent with Metropolitan's Colorado River and water supply policies. Some of these lands have also been enrolled in a 35-year rotational fallowing program in conjunction with the Palo Verde Irrigation District.

No change in property use is contemplated herein, and the Board declaration of the identified lands as "exempt surplus lands" in the resolution accompanying this board letter is solely for reporting and record keeping convenience.

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## Details

### Background

Metropolitan owns approximately 29,000 acres of land with Priority 1 and 3 water rights within the Palo Verde region in the counties of Riverside and Imperial. Since Metropolitan began purchasing land in the region in 2001 for agricultural purposes, it began leasing most of its acquired property under innovative agreements providing rent reduction incentives and other inducements to decrease water consumption on Metropolitan-owned land. Metropolitan and the Palo Verde Irrigation District (PVID) also entered into a memorandum of understanding in 2001, which established an ongoing Property Utilization Committee for Metropolitan and PVID to discuss, analyze, and review Metropolitan's actions on such properties.

Before Metropolitan may award new or amended leases going forward to farmers in the Palo Verde region lands, the Board is required under the new Surplus Land Regulations to declare subject properties as exempt surplus lands that may be used in furtherance of Metropolitan's agency purposes. The requested declaration is set forth in the resolution attached to this board letter (**Attachment 1**) and will be submitted to the California Department of Housing and Community Development, the entity with oversight over local agencies' compliance with the Surplus Lands Act. No dispositions or allocations to specific tenants are implemented by this action, and the requested action by the Board is only intended to place in resolution form the "agency purpose" findings previously set forth in board meeting minutes, board letters, and other written materials on a parcel or lease agreement specific basis.

### **Requested Exempt Surplus Determination**

Staff recommends that the Board adopt the resolution declaring the agricultural lands listed in the attached resolution in the Palo Verde region to be exempt surplus land under the Surplus Lands Act.

### **Basis for Findings that Parcels are Surplus Land**

The identified Metropolitan-owned parcels in the Palo Verde region have been historically used to promote water-efficient farming practices and to further participation in fallowing efforts through the issuance of long-term agricultural leases to farmers with specific contractual obligations and restrictions. No change in the use of these lands is declared or implemented by the attached resolution.

The following Metropolitan policies and agency purposes would be promoted by declaring the identified lands in the Palo Verde Valley as exempt surplus lands when devoted to innovative, water-efficient farming leases:

- Furtherance of written Colorado River and water conservation policies and plans adopted by the Board.
- Reduction of consumptive water use on the land by incentivizing less water-intensive crops or more efficient irrigation methods.
- Maintenance of a vibrant agricultural economy in the Palo Verde Valley by maintaining the lands as productive farmland and providing farmers flexibility to respond to market forces in their choice of crops and irrigation methods.
- Promotion of community acceptance and participation by creating a fair and transparent process for lease selection and soliciting input from the community.
- Advancement of state-of-the-art farming techniques by encouraging innovative irrigation methods, crop selection, and data collection methods.
- Keeping administrative overhead low by limiting the total number of leases to be administered.
- Provision of a positive revenue stream for Metropolitan by generating rents and reflecting a balance between the value of the agricultural land and the unique lease conditions in place to achieve agency water objectives.

### **Policy**

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Metropolitan Water District Administrative Code §§ 8240-8258: Disposal of Real Property

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continue to seek ways to increase the reliability of its Colorado River supplies in order to operate the Colorado River Aqueduct at capacity as much of the time as is feasible.

By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle on Colorado River Resources Strategy supporting Metropolitan's interests and increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies.

By Minute Item 44542, dated July 10, 2001, the Board approved Principles of Agreement for a Land Management, Crop Rotation, and Water Supply Program with Palo Verde Irrigation District.

By Minute Item 45053, dated October 22, 2002, the Board authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program and community improvement programs.

By Minute Item 45517, dated September 23, 2003, the Board approved the Quantification Settlement Agreement (QSA) and related agreements among Imperial Irrigation District, Coachella Valley Water District, San Diego County Water Authority, and Metropolitan. Under the QSA, Metropolitan could acquire Colorado River water from PVID during the Quantification period without objection by IID and/or CVWD.

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

By Minute Item 50446, dated April 12, 2016, the Board authorized staff to negotiate new leases with HayDay Farms and River Valley Ranches, with lease terms to meet the objectives stated in the board letter for consumptive water use and positive revenue and pursue leasing the remaining Metropolitan-owned lands.

By Minute Item 51254, dated July 10, 2018, the Board authorized lease amendments with Coxco LLC, Joey Deconinck Farms, HayDay Farms and River Valley Ranches that implement a rent structure based on crop choice rather than water use targets.

### **California Environmental Quality Act (CEQA)**

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#### **CEQA determination for Option #1:**

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and 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).

#### **CEQA determination for Option #2:**

None required

### **Board Options**

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#### **Option #1**

Adopt the resolution declaring certain Metropolitan-owned real property in the Palo Verde Valley in the counties of Imperial and Riverside as exempt surplus land pursuant to California Government Code Section 54221.

**Fiscal Impact:** There is no immediate financial impact or budget action necessary as a result of the recommended declaration of land categorization. When staff returns to the Board with proposals for specific leases, the financial impacts of each proposed agricultural lease will be provided.

**Business Analysis:** Adoption of the resolution will provide additional flexibility to Metropolitan staff in the area of property management and dispositions.

#### **Option #2**

Do not adopt the resolution declaring certain property as exempt surplus land.

**Fiscal Impact:** Continued ownership and lease management expenses associated with the existing lease and land management arrangements.

**Business Analysis:** The record keeping and reporting convenience of a declaration of land categorization and agency purposes in the Palo Verde region in a single resolution will be foregone.

## Staff Recommendation


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Option #1

  
\_\_\_\_\_  
Lilly L. Shraibati  
Group Manager, Real Property Group

9/30/2021

Date

  
\_\_\_\_\_  
Adel Hagekhalil  
General Manager

10/5/2021

Date

## Attachment 1 – Resolution of Exempt Surplus Land

Ref# rpd12679931

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN  
WATER DISTRICT OF SOUTHERN CALIFORNIA DECLARING CERTAIN  
METROPOLITAN OWNED REAL PROPERTIES IN THE PALO VERDE  
VALLEY IN THE COUNTIES OF IMPERIAL AND RIVERSIDE AS EXEMPT  
SURPLUS LAND PURSUANT TO CALIFORNIA GOVERNMENT CODE  
SECTION 54221

WHEREAS, the Metropolitan Water District of Southern California (“Metropolitan”) is the fee owner of certain real properties identified by assessor parcel number in this Resolution and located in the Palo Verde Valley, in both Riverside County and Imperial County, California, listed in Exhibit A hereto and incorporated by reference (each, a “Property” and collectively, the “Properties”).

WHEREAS, Metropolitan is a metropolitan water district created under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended) (the “Act”) which authorizes Metropolitan amongst other things to: expand water conservation, water recycling, and groundwater recovery efforts in a sustainable, environmentally sound, and cost-effective manner; acquire water and water rights within or without the state; develop, store, and transport water; provide, sell, and deliver water at wholesale for municipal and domestic uses and purposes; and acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient to the exercise of such powers.

WHEREAS, Metropolitan desires to lease or otherwise devote each of the Properties in the future for continued agricultural and other uses that specifically promote, implement and showcase to other agricultural entities in the region water-efficient farming practices that operate in a cost-effective and sustainable manner and that also, as set forth in regional fallowing programs and/or contract and other legal documents, are subject to water fallowing requirements, so as to provide sustainable activities within the local economy and also preserve water supplies.

WHEREAS, the leasing of the lands for the purposes identified herein would further Metropolitan water supply and water efficiency policies expressed in the following actions: (1) By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continue to seek ways to increase the reliability of its Colorado River supplies in order to operate the Colorado River Aqueduct at capacity as much of the time as is feasible; (2) By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle on Colorado River Resources Strategy supporting Metropolitan's interests and increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies; (3) By Minute Item 44542, dated July 10, 2001, the Board approved Principles of Agreement for a Land Management, Crop Rotation, and Water Supply Program with Palo Verde Irrigation District; (4) By Minute Item 45053, dated October 22, 2002, the Board authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program and community improvement programs; (5) By Minute Item 45517, dated September 23, 2003, the Board approved the Quantification Settlement Agreement (QSA) and related agreements among Imperial Irrigation District, Coachella Valley Water District, San Diego County Water Authority, and Metropolitan. Under the QSA, Metropolitan could acquire Colorado River water from PVID during the Quantification period without objection by IID and/or CVWD; (6) By Minute Item 48766, dated August 16, 2011, the Board adopted the proposed policy principles for managing Metropolitan's real property assets; and (7) By Minute Item 50446, dated April 12, 2016, the Board authorized staff to negotiate new leases, with lease terms to meet the objectives stated in the board letter for consumptive water use and positive revenue.

WHEREAS, pursuant to Section 54221(b)(1) of the Surplus Land Act (California Government Code Sections 54220 – 54234), the Board of Directors of Metropolitan (the "Board") must declare the Properties to be "surplus land" or "exempt surplus land" before Metropolitan may take any action to dispose of the Properties, whether by sale or lease.

WHEREAS, Government Code Section 54221(f)(1)(J) defines "exempt surplus land" to include real property that is used by a district for agency's use expressly authorized in Government Code Section 54221(c).

WHEREAS, Section 54221(c)(1) of the Government Code provides that "agency's use" may include commercial or industrial uses or activities, including nongovernmental retail, entertainment or office development, or be for the sole purpose of investment or generation of

revenue if the agency's governing body takes action in a public meeting declaring that the use of the site will directly further the express purpose of agency work or operations.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

1. The above recitals are true and correct and are a substantive part of this Resolution.
2. The Properties are "exempt surplus land" pursuant to California Government Code Section 54221(f)(1)(J) and 54221(c)(1) because the use of the Properties for water efficient farming purposes and/or subjecting the Properties to fallowing requirements constitute an "agency use" for purposes of the Surplus Land Act, under the grounds set forth in the board letter accompanying this resolution and incorporated by reference and for the following reasons: (a) such land would be used in furtherance of written Colorado River and water conservation policies and plans adopted by the Board; (b) the Board further finds and declares that the leasing or restriction of such land for water efficient agricultural purposes and/or subjecting such land to water fallowing requirements would directly further the express purpose of Metropolitan work or operations and statutory authorizations for water conservation, water recycling, and groundwater recovery efforts in a sustainable, environmentally sound, and cost-effective manner, the development, storage, and transportation of Colorado River water supplies, the provision, sale, and delivery of water, and the demonstration of innovative agricultural practices that can serve as a model for other growers in the region and support the agricultural economy and local community within the Palo Verde Valley; (c) such land would be used in water agency structured leases that would reduce consumptive water use on the land by incentivizing less water-intensive crops or more efficient irrigation methods, thereby increasing Colorado River supplies available to Metropolitan; (d) such lands would be used to maintain a vibrant agricultural economy in the Palo Verde Valley by maintaining the lands as productive farmland and providing farmers flexibility to respond to market forces in their choice of crops and irrigation methods; (e) such lands would be used to promote community acceptance and participation by creating a fair and transparent process for lease selection and soliciting input from the community; (f) such lands would be used to advance state-of-the-art farming techniques by encouraging innovative irrigation methods, crop selection, and

data collection methods that can serve as a model for other users; and (g) such lands would be used to generate offsetting lease revenues that will directly further the express purpose of agency work or operations.

3. Metropolitan staff is hereby authorized to provide the Department of Housing and Community Development (“HCD”) all necessary documentation and to take such actions as deemed necessary or proper to effectuate the purposes of this Resolution.

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held \_\_\_\_\_, 2021.

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Secretary of the Board of Directors  
of The Metropolitan Water District  
of Southern California



**EXHIBIT A****PALO VERDE VALLEY PROPERTIES****EXEMPT SURPLUS LAND  
ASSESSORS PARCEL NUMBERS**

<b><u>Grouping 1</u></b>		<b><u>Grouping 2</u></b>	<b><u>Grouping 3</u></b>		<b><u>Grouping 4</u></b>	<b><u>cont'd below</u></b>
<b>RIV. CO.</b>	879-240-007	<b>IMP. CO.</b>	<b>RIV. CO.</b>	878-020-008	<b>RIV. CO.</b>	
878-081-001	879-240-029	006-090-008	821-100-018	878-030-009	833-210-006	
878-081-002	879-240-032	006-090-009	821-100-019	878-030-016	833-210-012	
878-081-004	879-240-033	006-090-010	821-150-018	878-091-001	833-260-001	
878-081-005	879-261-004	006-090-011	821-160-012	878-091-005	833-260-003	
878-081-006	879-262-005	006-090-012	821-160-013	878-091-006	833-260-004	
878-081-012	879-262-011	006-090-013	824-200-048		833-260-005	
878-082-001	879-262-014	006-090-029	863-140-002		833-270-003	
878-082-007		006-120-082	863-150-001		833-270-004	
878-111-017	<b>IMP. CO.</b>	006-120-089	863-170-005		833-270-005	
878-112-014	006-090-003	006-150-065	863-170-006			
878-112-015	006-210-009	006-220-057	863-180-003			
878-120-013	006-210-021		863-180-004			
878-120-015	006-210-029		863-180-005			
878-130-010	006-220-010		863-220-005			
878-130-011	006-220-013		866-040-004			
878-161-014	006-220-019		866-040-005			
878-161-015	006-220-021		866-040-007			
878-162-002	006-220-022		866-040-008			
878-162-003	006-220-058		866-080-001			
878-191-004			866-080-002			
878-192-001			866-080-003			
878-192-002			866-080-005			
878-193-007			866-080-012			
878-193-011			866-090-002			
878-193-013			866-090-009			
878-201-001			866-090-010			
878-220-005			866-090-013			
878-220-014			866-090-014			
878-220-015			872-150-005			
878-230-006			872-160-006			
878-230-007			872-160-007			
878-230-008			872-160-008			
878-240-021			872-160-009			
879-210-026			872-180-006			
			872-180-009			
			878-020-004			
			878-020-005			

<u><b>Grouping 5</b></u>			<u><b>Grouping 6</b></u>	<u><b>Grouping 7</b></u>	<u><b>Grouping 8</b></u>	<u><b>Grouping 9</b></u>
<b>RIV. CO.</b>	875-021-008	878-092-018	<b>RIV. CO.</b>	<b>RIV. CO.</b>	<b>RIV. CO.</b>	<b>RIV. CO.</b>
866-130-001	875-021-013	878-101-004	827-190-003	830-210-009	815-190-007	815-302-008
866-130-002	875-021-014	878-101-005	827-190-004	830-210-010	815-190-012	815-310-013
866-130-003	875-022-003	878-151-004	827-190-005	833-210-013	815-190-014	815-320-007
866-130-004	875-022-004	878-151-005	827-190-006	833-220-003	815-200-007	827-080-029
866-210-006	875-022-005	878-152-003	827-190-007	833-230-001	815-200-011	833-030-012
866-210-010	875-022-006	878-152-031	827-190-009	833-230-002	827-061-004	833-050-014
866-240-004	875-022-012	878-202-003	827-190-010	833-280-002	827-061-005	
866-20-009	875-030-012	878-202-005	827-190-012		827-062-006	
866-250-008	875-030-014	878-240-009	833-060-001		827-062-007	
866-250-009	875-030-027	878-240-010	833-060-004		827-062-008	
866-250-011	875-030-028	878-240-011	833-060-018		827-062-016	
869-130-001	875-040-006	878-240-012	833-060-024		827-062-017	
869-270-006	875-071-001		833-060-025		827-071-002	
869-270-010	875-071-002		833-060-026		827-080-004	
869-291-002	875-071-003		833-060-030		827-080-008	
869-291-003	875-071-004		833-100-005		827-080-010	
869-291-005	875-071-005		833-100-007		827-080-027	
869-291-009	875-071-006		833-100-011		827-080-028	
869-292-001	875-071-007		833-100-012		830-230-006	
869-292-002	875-071-012		833-100-016		833-140-005	
869-292-003	875-071-013		833-100-017			
872-080-006	875-071-014					
872-080-007	875-071-015					
872-080-008	875-131-005					
872-090-005	875-131-006					
872-090-006	875-131-009					
872-090-007	875-131-010					
872-090-008	875-171-001					
872-100-001	875-171-002					
872-340-014	875-250-010					
872-340-018	878-040-008					
872-352-003	878-050-003					
872-352-010	878-050-004					
872-352-017	878-050-005					
872-360-001	878-050-006					
872-360-003	878-050-010					
872-370-002	878-050-011					
872-370-008	878-050-012					
872-370-013	878-050-013					
872-370-014	878-060-002					
872-370-016	878-070-001					
872-370-018	878-092-003					
875-021-006	878-092-016					
875-021-007	878-092-017					