



CITY COUNCIL

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Daniel Fox, City Manager 
TITLE: **CONSIDERATION OF A SETTLEMENT AGREEMENT WITH THE CITY OF CHINO HILLS AND THE CITY OF INDUSTRY REGARDING TRES HERMANOS RANCH; APPROVING AN AMENDED AND RESTATED TRES HERMANOS CONSERVATION AUTHORITY JOINT POWERS AGREEMENT; AND APPOINTING REPRESENTATIVES TO SERVE AS DIRECTORS AND ALTERNATE ON THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY.**

STRATEGIC GOAL: *Open, Engaged & Responsive Government*

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- A. Adopt Resolution No. 2019-02 approving, and authorizing the City Manager to execute, the Settlement Agreement and the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement (“Tres Hermanos JPA”) with the City of Chino Hills and the City of Industry regarding Tres Hermanos Ranch, and finding that approval or Resolution No. 2019-02 is categorically exempt from the California Environmental Quality Act pursuant to Title 14, California Code of Regulations, Sections 15325(a) and 15301;
- B. Authorize the City Manager to take other actions necessary to implement the Settlement Agreement and the Tres Hermanos JPA;
- C. Appropriate \$1,205,033 from the General Fund for Diamond Bar’s contribution to the purchase of Tres Hermanos Ranch if such purchase is approved by the newly constituted Tres Hermanos Conversation Authority (“Authority”); and
- D. Appoint Mayor Carol Herrera and Mayor Pro Tem Steve Tye as the Diamond Bar Directors, and Council Member Nancy Lyons as the Diamond Bar Alternate Director to serve on the Authority’s Board of Directors.

FINANCIAL IMPACT:

Diamond Bar's contribution toward the purchase of the Tres Hermanos Ranch by the Authority is \$1,205,033. The City Council will need to appropriate these funds for the acquisition. The City's share of the Authority's annual maintenance costs will be determined through the budget process and is currently estimated at approximately \$70,000 annually. An appropriation for the City's share of the Authority's maintenance costs will be subject to further action by the City Council at a subsequent meeting.

BACKGROUND:

Tres Hermanos Ranch includes approximately 2,445 acres of undeveloped open space located within the cities of Diamond Bar and Chino Hills. It has historically been used for ranching, farming and cattle grazing, although in recent years the use has been limited chiefly to cattle grazing. There is also a reservoir on the Tres Hermanos Ranch. Approximately 695 acres of the Tres Hermanos Ranch are located within the boundaries of Diamond Bar, and approximately 1,750 acres are located within the boundaries of Chino Hills as is depicted in Attachment 1.

On February 3, 1978, Industry acquired Tres Hermanos Ranch and later that same year transferred it to the Industry Urban-Development Agency ("RDA"), which was the redevelopment agency established in Industry. In 2011 the Tres Hermanos Ranch was transferred from the RDA to Industry. In 2012, the Tres Hermanos Ranch was transferred from Industry to the Successor Agency as required by the Redevelopment Dissolution Act of 2011—State legislation which provided for the dissolution and winding down of the affairs of all redevelopment agencies in California.

In 2014, the State Department of Finance approved the Long Ranch Property Management Plan ("Plan") for the Successor Agency, which Plan governs the disposal of property assets owned by the Successor Agency as set forth in the Redevelopment Dissolution Act. The Tres Hermanos Ranch was included in that Plan.

During a period beginning in 2016, the City of Industry and San Gabriel Water & Power, LLC ("San Gabriel"), took various actions to enter into a ground lease whereby the City of Industry would lease various properties it owned, including the Tres Hermanos Ranch, to San Gabriel for development of a massive solar facility (the "Master Lease"). Inclusion of the Tres Hermanos Ranch in the Master Lease was subject to a condition precedent that the City of Industry, in its sole discretion, purchase Tres Hermanos Ranch by December 31, 2018. The Master Lease provides that if the City of Industry made this purchase, that it would be amended to include the Tres Hermanos Ranch. Industry did not elect to purchase Tres Hermanos Ranch by that date.

In August 2017, the Oversight Board to the Successor Agency approved the sale of Tres Hermanos Ranch to the City of Industry, but placed a deed restriction on the Tres Hermanos Ranch limiting uses to open space, public use or preservation (the "Deed Restriction"). In response to that action, the approval of the Master Lease and anticipating that the City of Industry might claim the solar facility described in the Master Lease was allowed under the Deed Restriction, Diamond Bar and Chino Hills filed six lawsuits collectively in Sacramento and Los Angeles counties, challenging on various

grounds, among other things, the sale of Tres Hermanos Ranch by the Successor Agency to the City of Industry and the Master Lease (the "Litigation").

ANALYSIS:

The cities of Diamond Bar and Chino Hills entered into settlement discussions with the City of Industry in an effort to resolve Diamond Bar's and Chino Hill's outstanding concerns regarding the future of Tres Hermanos Ranch. All three cities ultimately agreed that the Tres Hermanos Ranch provides important environmental, educational, and recreational resources to the community and region. It was also determined that the most prudent method to protect these resources and the interest of each respective jurisdiction would be to transfer ownership of the Tres Hermanos Ranch to the re-constituted Authority, in which all three cities would have representation on a Board of Directors. Through the Authority, the planning and coordination for the long-term use of the Tres Hermanos Ranch will allow for a more community-based approach to any proposed future use consistent with open space preservation, the existing conditions on the Tres Hermanos Ranch and the Deed Restriction.

To resolve the Litigation, the proposed Settlement Agreement (included as Attachment 2) will provide for the following:

- The existing Tres Hermanos Conservation Authority Joint Powers Agreement will be amended and restated to create a newly re-constituted Tres Hermanos Conservation Authority pursuant to the Joint Powers Act, Government Code sections 6500 et seq., (the "Tres Hermanos JPA"), which Authority will, among other things:
 - Include the cities of Chino Hills, Diamond Bar and Industry as Members of the Authority;
 - Create a Seven (7) member governing Board of Directors comprised of two (2) Council Members from Chino Hills, two (2) Council Members from Diamond Bar and three (3) Council Members from Industry;
 - Provide that any proposed use of the property must be approved by the Board of Directors and be consistent with the Deed Restriction and applicable land use regulations of the cities of Chino Hills and Diamond Bar; and
 - Include additional provisions for administration, voting rights, budgeting, and distribution of operating revenue and expenses concerning the Authority.
- The City of Industry will acquire Tres Hermanos Ranch from the Successor Agency in the amount of \$41,650,000.
- The City of Industry will transfer Tres Hermanos Ranch to the Authority for the purchase price of \$41,650,000.
- The cities of Chino Hills and Diamond Bar will collectively deposit into escrow, 10% of the Tres Hermanos Conservation Authority's purchase price, i.e., \$4,165,000 (\$1,205,033 of which is Diamond Bar's share), toward the acquisition

of the Tres Hermanos Ranch by the Authority. At close of escrow this amount will be transferred to the City of Industry, which will be credited with the balance of the purchase price as its contribution toward the Authority's acquisition.

- The Tres Hermanos Ranch will be transferred to the Authority subject to the Deed Restriction, limiting the use for "open space, public use or preservation".
- The conditions under which the cities of Chino Hills and Diamond Bar will conditionally and ultimately with prejudice, dismiss the Litigation.

As is set forth in more detail in the attached Resolution, the Settlement Agreement, creation of the Authority, and transfer of Tres Hermanos Ranch to the Authority will for the reasonably foreseeable future, result in maintaining the Tres Hermanos Ranch in its current existing condition. The three cities do not have any existing or contemplated plans for any development of Tres Hermanos Ranch or addition to or subtraction from any current uses thereon. Acquisition by the Authority and adoption of the Tres Hermanos JPA will ensure that local land use authority, such as zoning and general plan designation, remains with and will be subject to, the cities of Chino Hills and Diamond Bar as it is currently. Any proposed future uses of Tres Hermanos Ranch will be subject to the approval of the Authority's Board of Directors and must be consistent with both the Deed Restriction and the applicable land use regulations of the cities of Chino Hills and Diamond Bar. Through contributions made by the Authority's Members, the maintenance of Tres Hermanos Ranch by the Authority will be continued as it is presently.

The approval of the Settlement Agreement and Tres Hermanos JPA requires approval by the city councils of the cities of Chino Hills and Industry, which will be concurrently considering these actions along with Diamond Bar. If approved by all three cities, the Authority will then meet to consider the purchase and sale agreement transferring Tres Hermanos Ranch from the City of Industry to the Authority.

LEGAL REVIEW:

City Attorney has reviewed and approved as to form the Settlement Agreement and related documents.

PREPARED BY:


Daniel Fox, City Manager

2/5/2019

Attachments:

1. 2.1.a Tres Hermanos Ranch Vicinity Map
2. 2.1.b CC Reso 2019-02
3. 2.1.c Exhibit 1 - Tres Hermanos Settlement Agreement