



Agenda Report

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SUBJECT:

APPROVAL OF FOUNTAIN VALLEY DEVELOPMENT AGREEMENT

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve the Development Agreement with the City of Fountain Valley and authorize its execution and implementation.

BACKGROUND

Between October 2016 and August of 2018, the Orange County Sanitation District (Sanitation District) acquired five properties across Ellis Avenue from Plant No. 1. The Sanitation District plans to construct a new headquarters complex on the properties (Project). The Project will replace the existing administration building at Plant No. 1. The properties are located within the City of Fountain Valley (City). The Sanitation District must obtain certain land use approvals from the City in order to construct the Project.

Over the last few months, the City and the Sanitation District have negotiated the terms of a development agreement (Development Agreement). The Development Agreement contains the following material terms:

- Subject to a limited reservation of authority, the Sanitation District has the right to develop the Project in accordance with the City's approvals and the land use regulations in effect on the date when the City Council approves the Development Agreement. This right shall continue in effect for 30 years.
- In consideration of these vested rights, the Sanitation District shall pay the City a one-time monetary contribution of two million nine hundred thousand dollars (\$2,900,000) to compensate the City for property tax revenue lost as a result of the Project.

On October 28, 2020, the City's Planning Commission approved the Project as designed, including a pedestrian bridge across Ellis Avenue, reduced requirements for parking and open space, and certain variances. This approval was and remains subject to the Sanitation District's approval and execution of the Development Agreement. The City Council is scheduled to consider the Project and the Development Agreement on November 17, 2020. If the City Council approves the Project, the

approval will be contingent on the Sanitation District's approval and execution of the Development Agreement.

RELEVANT STANDARDS

- Protect Orange County Sanitation District assets
- Maintain collaborative and cooperative relationships with regulators, stakeholders, and neighboring communities

PROBLEM

Currently, the Sanitation District does not have vested rights to construct the Project. This lack of certainty places the Project at risk of substantial cost escalation and/or delays to the Project.

PROPOSED SOLUTION

Implement a Development Agreement providing vested rights to the Sanitation District to develop the Project.

TIMING CONCERNS

The City Council is scheduled to consider the Development Agreement at its meeting of November 17, 2020.

RAMIFICATIONS OF NOT TAKING ACTION

Absent the Development Agreement, the Sanitation District would not have vested rights to construct the Project unless and until the Sanitation District expends substantial funds in reliance on building permits, and the Project would be at risk of cost escalation and/or delays.

PRIOR COMMITTEE/BOARD ACTIONS

June 2020 - Sanitation District Board of Directors approved award of a demolition contract for the Project.

ADDITIONAL INFORMATION

N/A

CEQA

At the Sanitation District Board meeting on June 24, 2020 the Sanitation District Board of Directors considered, received, and filed an Addendum to the City of Fountain Valley's Program Environmental Impact Report for the Fountain Valley Crossings Specific Plan. The Addendum considered whether the Project would result in any new significant impacts, or any substantial increase in the severity of identified significant impacts, as compared to the Fountain Valley Crossings Specific Plan Environmental Impact Report certified by the City Council on January 23, 2018.

FINANCIAL CONSIDERATIONS

This request complies with authority levels of the Sanitation District's Purchasing Ordinance. This item has been budgeted (Adopted Budget, Fiscal Years 2020-2021 and 2021-22, Section 8, Page 58, Headquarters Complex, Project No. P1-128) and the budget is sufficient for the recommended action.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- Development Agreement