

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: John Tavaglione, 2nd District Supervisor

SUBMITTAL DATE:
February 10, 2015

SUBJECT: Revenue Ground Sublease – Alternative Energy, District 2

RECOMMENDED MOTION: That the Board of Supervisors:

1. Find that the Revenue Ground Sublease is exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3), as it can be seen with certainty that there is no possibility the activity in question may have a significant impact on the environment, and is not a "project" as defined under Section 15060 (c);
2. Approve the attached Revenue Ground Sublease and authorize the Chairman of the Board to execute the same on behalf of the County; and
3. Direct the Clerk of the Board to file the attached Notice of Exemption with the County Clerk for posting within five (5) working days.

BACKGROUND: In 2013, the Economic Development Agency (EDA), in coordination with the Waste Management Department (WMD), issued a Request for Proposal (RFP) for an Alternative Energy Project on the closed West Riverside Landfill, Jurupa Valley. The closed West Riverside Landfill is approximately 80 acres, and is operated and controlled by the Waste Management Department. The RFP requested submittals from private sector alternative energy developers to construct utility grade alternative energy facilities on the closed West Riverside Landfill.

(Continued)



John Tavaglione, Supervisor, 2nd District
Board of Supervisors

Prev. Agn. Ref.:

District: 2

Agenda Number:

3-3

BACKGROUND: (Continued)

As consideration, the selected developer would pay the County a percentage of their gross revenues generated from the sales of energy along with monthly ground rent. Three firms submitted responses to the RFP and were evaluated based upon five categories. The required qualifications of the selected Developer/Owner included experience constructing alternative energy projects, financial capability, project and property management and the economics of the proposal. Based on the selection criteria, Stronghold Engineering Inc. was the awardee and the County moved to negotiate an agreement that would provide Stronghold with the ability to conduct up to 36 months of due diligence which includes forming the size and scope of an alternative energy project and fully entitling that project through the local jurisdiction with County consent over the ultimate project. WMD may grant up to two 6-month extensions to the initial 36-month diligence period, if WMD determines, in its sole and subjective determination, that Stronghold has made reasonable progress to obtain necessary permits.

The proposed project seeks to take a closed landfill that is a non-performing asset and convert that asset into an alternative energy project that will further the County's goal of pursuing sustainable and livable County communities. In addition, the revenue generated from this facility will serve to reduce the County's on-going maintenance and operational costs at this facility which will in turn benefit the taxpayer.

The proposed discretionary action is a twenty-eight year ground sublease, with the potential to extend for a second twenty-eight year term, proposing a conceptual alternative energy project. Currently only rough design parameters exist, however, Stronghold Engineering Inc. is responsible to perform due diligence and to fully design and construct a project that fulfills the demand for alternative energy through power purchase agreements (PPA's). The sublease delineates full responsibility on Stronghold Engineering Inc. to pursue entitlements and environmental review with the appropriate lead agency once the final project size, scope and design parameters are formed and to submit the necessary CEQA documentation to the lead agency overseeing the project approval process. In addition, this sublease allows Stronghold Engineering Inc. to secure the necessary site control to pursue PPA's and to obtain the necessary financing in order to move forward with the entitlement process.

The Notice of Exemption is included as Attachment A.

Leased Premises: West Riverside Landfill
APNs: 178-290-006, 178-281-006, 178-290-003, and 178-290-013

Sublessor: County of Riverside Waste Management Department

Sublessee: Stronghold Engineering, Inc.

Size: Approximately eighty (80) acres

Term: Twenty-eight (28) years, including a three (3) year due diligence period, with up to two 6-month extensions, in WMD's sole and subjective discretion. One option to extend for an additional twenty-eight (28) years.

Rent: After the due diligence period, two thousand dollars (\$2000.00) per month as ground rent, plus two (2%) percent of total gross monthly revenue.

(Continued)

BACKGROUND: (Continued)

- Rent Adjustment: Ground rent shall increase three (3%) percent annually
- Utilities: To be paid for by Sublessee
- Maintenance: To be paid for by Sublessee
- Improvements: Alternative Energy Facilities consisting of Solar Panels, installed and paid for by Sublessee.

The Real Estate Division will be reimbursed for any and all costs incurred and associated with this transaction through the Waste Management Department from the revenues received from this project. This sublease has been reviewed and approved by County Counsel as to legal form.

Impact on Citizens and Businesses

When constructed, this proposed alternative energy project will serve to address the County's goal of improving the quality of life by developing sustainable and livable communities. The project may provide environmentally friendly solar energy to residents and businesses of the region for years to come. The project will serve to use a closed landfill site to generate solar energy that will also create jobs and revenue that will benefit the taxpayers of the County by offsetting long term maintenance and operational costs of the closed landfill.

Contract History and Price Reasonableness

In 2013, an RFP for an Alternative Energy Project on the closed West Riverside Landfill, Jurupa Valley was issued. Although there is a 3 year due diligence period, there is a potential for ongoing revenue to the WMD in the form of rent and gross revenue payments when the project is permitted and finalized.

Attachments:
Revenue Ground Sublease
Notice of Exemption

RF:JVW:VC:VY:CE:sl 056WA



NOTICE OF EXEMPTION

February 3, 2015

Project Name: County of Riverside, West Riverside Landfill Revenue Lease Agreement with Stronghold Engineering, Inc.

Project Number: FM041400056

Project Location: Assessor Parcel Numbers: 178-290-006, 178-281-006, 178-290-003, and 178-290-013; Located adjacent to the west levee of the Santa Ana River, and along the north side of State Highway 60; bounded by Hall Avenue and homes on the west, and by 28th Street and a recreational go-cart track on the north. Entrance to the site is at 2700 Hall Avenue, Jurupa Valley, CA; Latitude: 34° 0' 25.0446" N, Longitude: -117° 23' 12.5916 "W. (See attached site plan)

Description of Project: In March, 2013, the County of Riverside Economic Development Agency (EDA), in coordination with the County of Riverside Waste Management Department (WMD), issued a Request for Proposal (RFP) for an alternative energy project on the closed West Riverside Landfill, in the city of Jurupa Valley, California (City). The City, acting as the lead agency under the California Environmental Quality Act (CEQA), has ultimate approval authority for any land use determinations, including all mitigation, conditions of approval, or alternatives pursuant to CEQA. The closed West Riverside Landfill is approximately 80 acres, and is operated by the WMD. The RFP requested submittals from private sector alternative energy developers to construct utility grade alternative energy facilities on the closed landfill. As consideration, the developer would pay the WMD a percentage of their gross revenues generated from the sales of energy along with paying a monthly rental. Three firms submitted responses to the RFP, with the final bid awarded to Stronghold Engineering Inc. The EDA proposes a 28-year lease agreement between the WMD and Stronghold Engineering Inc. to be effective once a future development is defined and all entitlements and permits are obtained from the City, acting as the lead agency. The lease agreement will allow Stronghold Engineering Inc. to secure the necessary financial commitments in order to move forward with the development, including the appropriate entitlement process with the City. The lease agreement specifically delineates full responsibility on Stronghold Engineering Inc. to comply with and provide full CEQA review once the actual construction parameters of the proposed project are established, and to submit the necessary CEQA documentation to the lead agency overseeing the approval process.

Name of Public Agency Approving Project: County of Riverside, Economic Development Agency

Name of Person or Agency Carrying Out Project: County of Riverside, Economic Development Agency; Stronghold Engineering, Inc.

Exempt Status: California Environmental Quality Act (CEQA) Guidelines, Section 15061 (b) (3), General Rule “Common Sense” Exemption. Not a “project” as defined under State CEQA Guidelines, Section 15060 (c).

Reasons Why Project is Exempt: The project is exempt from the provisions of CEQA specifically by the State CEQA Guidelines as identified below. The project will not cause any impacts to scenic resources, historic resources, or unique sensitive environments. Further, no unusual circumstances or potential cumulative impacts would occur that may reasonably create an environmental impact. The project only provides a potential lease for developers in order to pursue an appropriate development and proceed with the entitlement process. It does not approve any development and does not limit any design, mitigation, conditions, or alternatives – including the determination to not approve the development – by the lead agency. Any meaningful evaluation of potential environmental impacts would be wholly speculative at this time and would not provide any meaningful public review or analysis. The lease does not commit the County to any development, does not approve the development, and does not specifically lead to any environmental impacts prior to full public review by the lead agency. Therefore, no environmental impacts related to this lease are anticipated to occur.

- Section 15061 (b) (3) - General Rule Exemption. In accordance with CEQA, the leasing activity does not have the potential for causing a significant effect on the environment. The lease is in place merely to provide potential financing for developers in order to pursue an appropriate development of a potential alternative energy facility at the closed landfill location. The lease itself does not lead to any specific development and any environmental analysis would be speculative at this time and would not lead to any meaningful public review. Accordingly, the County’s approval of the lease does not create a direct or indirect reasonably foreseeable physical change in the environment. Before development occurs on any particular site, all environmental issues will be analyzed in site specific environmental impact reports or other environmental documents by the City, acting as the appropriate lead agency. The approval of the lease will not restrict the lead agency for any future designs, mitigation, conditions, or alternatives – including the no project alternative. As such, the approval of the lease itself will not result in any physical environmental impacts under CEQA.
- Section 15060 (c) – Not a “project” under CEQA. The approval of the lease would not result in a direct or reasonably foreseeable indirect physical environmental impact. The project is only a potential lease, and any funds are contingent on Stronghold Engineering, Inc. obtaining all future entitlements and permits from the City. Further, Stronghold Engineering, Inc. will need to work with the City as the lead agency in order to evaluate any potential future development pursuant to CEQA. The potential lease does not approve any specific development and does not commit the public agency to any course of action related to any specific development. Therefore, the lease is not a project for purposes of CEQA.

Based upon the identified exemption above, the County of Riverside, Economic Development Agency hereby concludes that no physical environmental impacts are anticipated to occur and the project as proposed is exempt under CEQA. No further environmental analysis is warranted.

Signed: _____ **Date:** _____

Robert Field, Assistant County Executive Officer/EDA
County of Riverside, Economic Development Agency