



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: SEPTEMBER 5, 2023**

FROM: CITY MANAGER'S OFFICE **WARD: 2**

SUBJECT: AGREEMENT WITH KB SYCAMORE HILLS I, LLC, KB SYCAMORE HIGHLANDS II, LLC, AND KB SYCAMORE HIGHLANDS III, LLC TO TRANSFER RESPONSIBILITY OF ADDRESSING HOMELESS ENCAMPMENTS, VANDALISM AND DUMPING TO THE CITY OF RIVERSIDE FOR A 12.23 ACRE PORTION OF THE SYCAMORE HILLS DISTRIBUTION CENTER PROJECT UNDER CONDITION OF APPROVAL NO. 75(C), ALONG WITH ACCEPTANCE OF A \$1,700,000 ENDOWMENT FUND TO COVER RELATED EXPENSES, FOR THE CONSERVATION EASEMENT AREA IDENTIFIED AS PORTIONS OF APNs 263-060-026, 263-060-022, 263-060-024 AND SURROUNDING AREA

ISSUE:

The item for City Council consideration is the approval of an agreement with KB Sycamore Hills I, LLC, Sycamore Hills II, LLC, and Sycamore Hills III, LLC to transfer responsibility for a portion of Condition of Approval No. 75 (c) to the City of Riverside, along with a \$1,700,000 endowment to cover the costs associated with addressing “homeless encampments, dumping, and vandalism.”

RECOMMENDATION:

That the City Council:

1. Approve the Agreement with KB Sycamore Hills I, LLC, a Delaware Limited Liability Company as to an undivided 50% interest, KB Sycamore Hills II, LLC, a Delaware Limited Liability Company as to an undivided 40% interest, and KB Sycamore Hills III, a Delaware Limited Liability Company as to an undivided 10% interest as tenants in common for the Sycamore Hills Distribution Center Project to cover expenses which satisfy Condition of Approval 75.c which addresses homeless encampments, dumping, and vandalism in a designated 12.23 acre conservation easement identified as portions of APNs 263-060-026, 263-060-022, 263-060-024, and the surrounding area;
2. Authorize the acceptance of the \$1,700,000 endowment into the Interest Bearing Special Deposits Fund, Rivers and Lands Conservancy endowment account.
3. Authorize the City Manager or designee to execute the Agreement, including making minor and non-substantive changes.

BACKGROUND:

In August 2023, the City of Riverside Community & Economic Development Director issued a

substantial conformance determination, which allows a third-party agency capable and willing to accept responsibility for a portion of Condition of Approval No. 75(c). The determination was issued given the Rivers and Lands Conservancy (RLC) is specifically referenced in the condition and elected to take on some, but not all, of the responsibilities outlined in Condition of Approval No. 75(c). The RLC elected not take on the responsibility pertaining to addressing “homeless encampments, dumping and vandalism” within a 12.23-acre conservation easement area.

On July 26, 2023, the RLC Board of Directors approved Resolution 2023-002 (Attachment 1). The agreement accepts responsibility for establishing and maintaining habitat within 12.23 acres Conservation Easement area, along with installing and maintaining perimeter fencing. The Conservation Easement has several contingencies. The RLC Board accepted responsibility for the Conservation Easement responsibilities with the exception of a portion of Condition of Approval No. 75(c), specifically the requirement to address “homeless encampments, dumping, [and] vandalism...” The RLC Board’s Resolution is “contingent upon the City of Riverside providing written confirmation that (i) the Owner has satisfied Conditions of Approval No. 75(b) and 75(c) of the Final Certificate of Occupancy for the Sycamore Hills Distribution Center, (ii) the City will accept the fee interest of the Conservation Easement upon Owner’s successful completion of the five year mitigation and monitoring program pursuant to Conditions of Approval No. 75(a), (iii) the City of Riverside acknowledges that RLC is responsible only for the RLC Obligations, and (iv) to the extent not assumed by Rivers & Lands Conservancy as part of the RLC Obligations, the City of Riverside is responsible for all obligations arising out of the ownership of the property, including the Owner Obligations.”

In July 2023, the property owner/developer informed the City of Riverside that the RLC would not accept the responsibility for a portion of Condition of Approval No. 75(c), specifically that portion pertaining to “homeless encampments, vandalism and dumping.” The property owner/developer informed the City that they would move forward with a Conservation Easement with the RLC and that the Agreement would not include “homeless encampments, vandalism and dumping.” Further, the property owner/developer asked the City of Riverside to consider taking on the “homeless encampments, vandalism and dumping” responsibility and offered an endowment for the anticipated costs.

On March 29, 2022, the Property was sold by March JPA to KB Sycamore Hills I, LLC, a Delaware Limited Liability Company as to an undivided 50% interest, KB Sycamore Hills II, LLC, a Delaware Limited Liability Company as to an undivided 40% interest, and KB Sycamore Hills III, LLC, a Delaware Limited Liability Company as to an undivided 10% interest (Owner) who proposes the construction and operation of two warehouse distribution buildings totaling 603,100 square feet (Project).

Soon after the City Council’s approval of project and acquisition of the property, the developer drafted an Agreement for the RLC review and consideration. The Agreement would assign the responsibility for the restoration and maintenance of the 12.23-acre Conservation Easement area to the RLC, along with establishing an endowment to cover the associated costs.

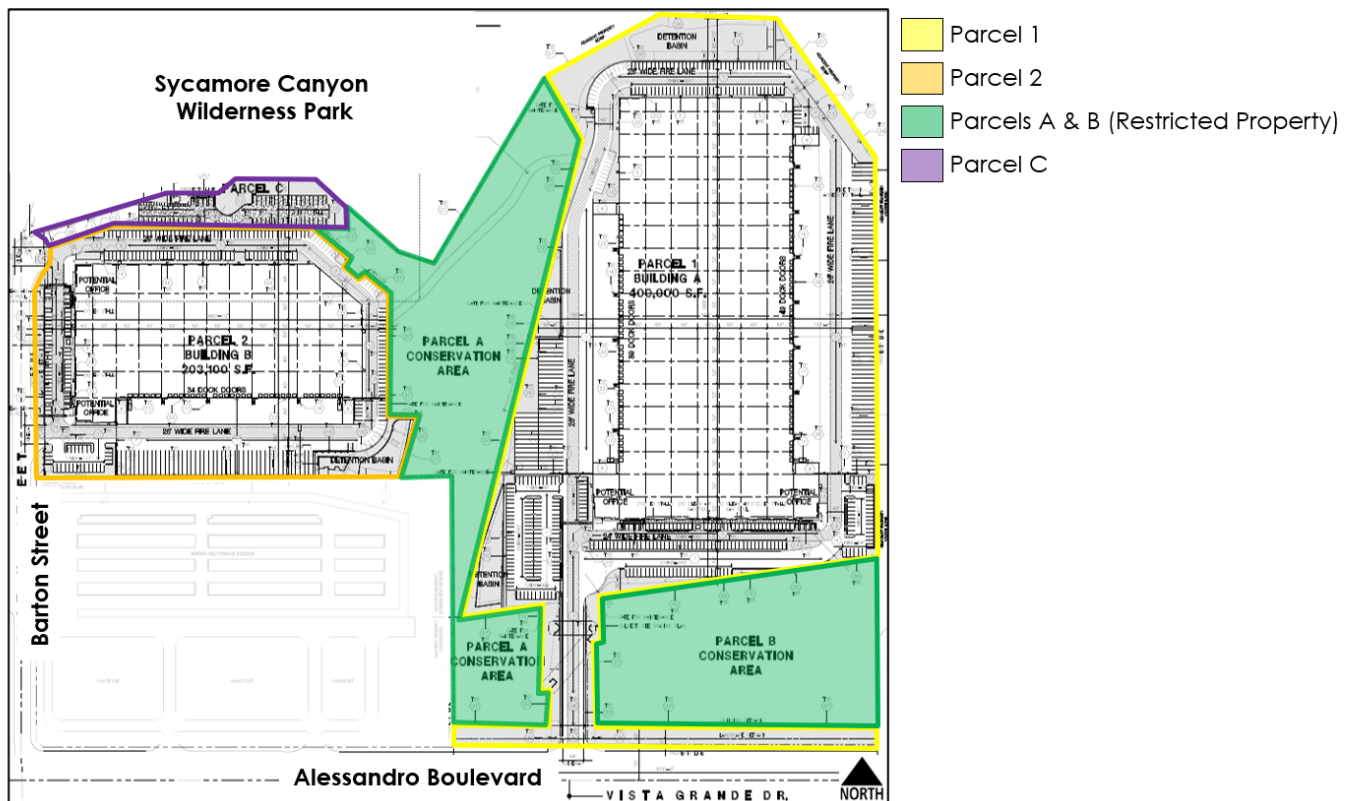
On January 25, 2022, the City Council reviewed, approved and certified an Environmental Impact Report (EIR) for a Parcel Map, a Minor Conditional Use Permit, a Design Review, a Variance, a Grading Exception proposal by Darrell Butler and Khosro Khaloghli of KB Development to facilitate the development of two warehouse buildings totaling 603,100 square feet on 48.64 acres, situated on the north side of Alessandro Boulevard, east of Barton Street, west of San Gorgonio Drive. A total of 108 conditions of approval apply to the project including Condition of Approval No. 75:

(FOCUS OF THIS REPORT) “As required by Instrument 2009-030 6-15-2009 Army Corps, Owner will transfer ownership in fee title of Parcels A & B (conservation easements) to City. City’s acceptance of Parcels A& B is contingent upon:

- a. Owner’s successful completion of all regulatory agency requirements and any related mitigation measures.
- b. Owner’s provision of maintenance and land management services for the conservation easement areas, performed by a qualified and city-approved land management organization, funded by Owner in perpetuity with a non-wasting endowment.
- c. Prior to City’s acceptance of property interest for open space lots APN 263-060-022, 024, and 026, the Rivers and Land Conservancy (RLC) Board of Directors shall approve final acceptance of a conservation easement over the property. The conservation easement shall incorporate all cost associated with mitigation and management of the land including, but not limited to any additional cost associated with correction actions required from violations of conservation easement and or natural causes, e.g. – **homeless encampments, dumping, vandalism, fire flood, etc.”**

A total of five parcels (totaling 48.64 acres) were created through the approved project:

SITE PLAN



- **(FOCUS OF THIS REPORT) Parcels A and B** are located along the south of the project site, adjacent to Alessandro Boulevard and extend north through the middle of the project site. These parcels are Restricted Property; development is prohibited within the Restricted Property.

Parcels A and B are bisected by the access driveway leading to Parcel 1. The access

driveway will include two metal culverts allowing drainage and wildlife connectivity between Parcels A and B. The proposed project includes removal of 0.81 acres of the existing Restricted Property for the access driveway, and the incorporation of an additional 1.44 acres to the Restricted Property resulting in a total area of 12.23 acres. Parcels A and B will be managed in perpetuity by a willing and capable third-party organization funded by the applicant.

- **Parcel C** is situated on the north of Parcel 2 and consists of 1.18 acres. Parcel C is proposed to be developed with a decomposed granite trailhead parking lot for the Sycamore Canyon Wilderness Park and includes 53 parking spaces, landscaping, shade structures, and drinking fountains. Trail fencing, gates, and signage will also be installed to direct access, circulation, and trail connection to the existing trailhead at the northerly terminus of Barton Street. The proposed trailhead parking lot is not required but is being provided by the applicant as an amenity for resident use. Access to the trailhead parking lot will be provided via a driveway on Barton Street. The parking lot and trailhead in Parcel C will be dedicated to the City and operated and managed by the City's Parks, Recreation, & Community Services Department.
- **Parcel 1** is situated on the east side of the project site and consists of 24.31 acres. Parcel 1 is proposed to be developed with a 400,000 square foot warehouse building (Building A) consisting of 390,000 square feet of warehouse area and 10,000 square feet of office area.
- **Parcel 2** is situated on the west side of the project site and consists of 10.32 acres. Parcel 2 is proposed to be developed with a 203,100 square foot warehouse building (Building B) consisting of 193,100 square feet of warehouse space and 10,000 square feet of office area.

Related Background Associated with the Grove Church Purchase of Subject Property and Memorandum of Understanding (MOU)

Due to land use restrictions and environmental impact concerns of the subject site, The Grove (formerly Victoria Community Church) could not develop the subject property and, as a result, entered a joint MOU executed on March 30, 2001, with the City of Riverside, The Greater Los Angeles March Globalport organization, Orangecrest Hills, L.P., and the March Joint Powers Authority (March JPA) to complete necessary land transactions to relocate the church construction site. In the MOU the City agreed to work jointly with the Army Corps of Engineers to eliminate the "blue line stream" designation on the northeast portion of the new church site. The blue line stream designation was transferred to the subject property with the obligation that the City take fee ownership of a portion of the property in the future.

DISCUSSION:

The Sycamore Hills Distribution Center Project Condition of Approval No. 75(c) provides that *"the Rivers and Land Conservancy (RLC) Board of Directors shall approve final acceptance of a conservation easement over the property. The conservation easement shall incorporate all cost associated with mitigation and management of the land including, but not limited to any additional cost associated with correction actions required from violations of conservation easement and or natural causes, e.g. – homeless encampments, dumping, vandalism, fire flood, etc."* During the discussions between the property owner/developer and the RLC, the property owner/developer was informed that the Conservancy would not take on the responsibility associated with addressing "homeless encampments, vandalism and dumping".

Given the Rivers and Lands Conservancy decision, the property owner/developer contacted the City to begin consideration of alternative approaches. The property owner/developer requested a third party be able to take on the responsibility of addressing homeless encampments, vandalism and dumping. As a result, the Community & Economic Development Department determined that a substantial conformance finding could be made if a third party was willing and able of taking on a portion of Condition of Approval no. 75. Following this determination, the developer/property owner expressed a preference to have the City take on that portion of Condition of Approval No. 75(c), specifically pertaining to “homeless encampments, vandalism and dumping”, given the time it would take to find another agency and a pending construction loan deadline.

City staff worked quickly to develop a conservative endowment amount to cover its anticipated costs to address “homeless encampments, vandalism and dumping” within the Conservation Easement area. Homeless Solutions Officer Lorissa Villareal and Housing Manager Michelle Davis were consulted along with other City staff. Clean-up duties include surveying sites, collecting debris, dismantling temporary structures, removal of trash, and removal of human waste using State approved handling and removal procedures for all material. Additional services include but are not limited to graffiti abatement, landscape and hardscape repairs, and transportation of identified property for storage to a site designated by the City as directed by City staff. A conservative annual cost of \$49,000, was derived from estimating potential costs, including a Consumer Price Index factor of 2.5%. A total of \$1,700,000 was derived using a 25-year time horizon. The chart below is a breakdown of costs associated with these services. To achieve maximum effectiveness, the funding may be moved amongst the approved categories listed below based on need.

*Scope of Work - Cost Distribution	% of Cost
Personnel	50%
Storage related costs	10%
Hazardous/regular disposal	25%
Monitoring	5%
Contingency	7%
Administrative	3%
*Funding can be adjusted between categories based on need.	
Annual Estimated Total	\$ 49,000.00
Total at 25-Year Term with 2.5% CPI Annual Factor	\$ 1,700,000.00

The proposed draft Agreement (Attachment 2) would transfer the responsibility for “homeless encampments, vandalism and dumping”, outlined in Condition of Approval no. 75.c. within the designated 12.34 acres Conservation Easement area, and the surrounding public properties at the City’s discretion, subject to the establishment of an \$1,700,000 endowment. Within the same conservation easement area, the habitat creation and maintenance, as well as fencing would be the responsibility of the RLC, subject to an endowment established by the property owner/developer, as depicted in the table below.

Responsibility Area within Conservation Easement	Agency	Endowment
Habitat Creation and Maintenance/Perimeter Fencing Installation and Maintenance	RLC	\$1,488,000

Homeless Encampment, Vandalism and Dumping	City of Riverside	\$1,700,000
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Homeless Solutions Officer Lorissa Villareal and Housing Manager Michelle Davis concur with this report.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 3 – Economic Opportunity (Goal 3.3 – Cultivate a business climate that welcomes entrepreneurship and investment)**.

The Project aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** –City Council approved Condition of Approval No. 75(c) will be achieved through a dual agency approach: A) RLC will establish and maintain required habitat, along with installing and maintaining a perimeter fence to protect said habitat, and receive a commensurate endowment for this work and B) the City of Riverside will address homeless encampments, vandalism and dumping within the same area and receive a conservative endowment for this work.
2. **Equity** – The proposed agreement will apply to future public land and will not apply to privately owned and operated land. Once the habitat is successfully established over not less than a 5-year period and approved by the Army Corp of Engineers, said land will be transferred to the City per Condition of Approval No. 75 and become publicly owned land.
3. **Fiscal Responsibility** – The Agreement includes a conservative endowment associated with addressing homeless encampments, dumping and vandalism in the Conservation Easement area. Additionally, the Project will add Property Tax to a currently undeveloped area and Business Tax revenue when the distribution center is open for business.
4. **Innovation** – The proposed Agreement is an innovative, and believed to be the first of its kind, to address the costs associated with homeless encampments, vandalism and dumping in the City where a private party establishes an endowment to cover all of the estimated costs on future public land.
5. **Sustainability & Resiliency** – The proposed Agreement will ensure the successful creation, maintenance and viability of 12 acres of new habitat adjacent and connected to Sycamore Hills Wilderness Park. Potential stressors to the habitat have been accounted through a combination of agreements, one with the developer and RLC (habitat and fencing) and one agreement between the developer and the City of Riverside (homeless encampments, dumping and vandalism).

FISCAL IMPACT:

The total fiscal impact of this action is a \$1,700,000 endowment from the property owner to the City per the Agreement. The amount of the endowment plus annual interest earnings is expected to be sufficient to fund the costs, based on a 25-year period, to mitigate homeless encampments, dumping, and vandalism in the Conservation Easement after the five-year establishment period, and can be used to address the same in the surrounding area of the Project. Upon Council approval and execution of the agreement, the \$1,700,000 endowment fund will be collected and deposited into the Interest Bearing Special Deposits Fund, Rivers and Lands Conservancy endowment account. Appropriations from the endowment account for the uses described in the Agreement will be submitted for Council approval on an annual basis or as needed.

Prepared by: Randy Solis, Principal Management Analyst
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachment:

1. Resolution Between Property Owner and RLC Regarding Conservation Easement
2. Agreement for the Restricted Property of the Sycamore Hills Distribution Project and Related Endowment to the City