



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: February 6, 2008 REPORT NO:
ATTENTION: Ad Hoc Committee on Fire Prevention and Recovery
SUBJECT: Update on the Status of Leases in San Pasqual Valley
REFERENCE: San Pasqual Vision Plan;
San Pasqual Groundwater Management Plan

REQUESTED ACTION: None

STAFF RECOMMENDATION: N/A

SUMMARY:

At the January 14, 2008, meeting of the Ad Hoc Fire Prevention and Recovery Committee (Ad Hoc Committee), the Committee asked for a report from the Water Department detailing the status of the leases in San Pasqual Valley. In response, the following information is provided.

As indicated at the January committee meeting, the Water Department owns 8,100 acres in San Pasqual Valley. The land was acquired in the 1940's and 1950's for water supply purposes. 5,400 acres of land is leased for agricultural purposes, which must be consistent with protection of water resources. A total of 57 leases are in place on Water Department land, 40 of which are for agricultural purposes.

Lease management is a coordinated effort between the Water Department and the Real Estate Assets Department, which manages the properties on behalf of the water fund. Most of the leases in San Pasqual Valley have years remaining in their term, with expirations occurring from 2009 to 2026. Typical lease terms are for 10 to 30 years, however some terms are as short as 5 years and as long as 46 years.

Currently, 15 leases are past their expiration date and are continuing on a month to month basis under the terms of the existing agreement. These leases include leases for avocado production, nursery operations, dairy operations, row crops, and grazing and foraging activities. To date, some, though not all, of these lessees have indicated willingness to enter into successor agreements.

Many of the Water Department's leased properties were damaged in the October 2007 wildfires. 23 agricultural operations suffered damage to crops, storage buildings or irrigation systems. At

its January meeting, the Ad-hoc Committee received public testimony from some of the lessee's whose property was damaged in the fires. Of concern to these constituents was the need to rapidly renegotiate new leases or lease extensions in order to provide the basis for acquiring the financing necessary to rebuild damaged operations. The Water Department, along with the Real Estates Assets Department committed to moving forward with the review and potential renegotiation of these fire-damaged leases on a priority basis. To that end, the following actions have been taken, or will be taken:

1. Clean-up has begun on Water Dept. property damaged by the October fire.
2. Staff is moving forward with preparing leases for the four priority (fire-affected) leases (*Suncoast Botanicals*, *Henry Ranch*, *Rancho de Loma* and *Robert L. Smith*):
 - a. Meeting scheduled on February 6 with *Suncoast Botanicals* to discuss meaningful terms and conditions mutually agreeable;
 - b. Meeting with 3 remaining "priority" lessees to be held February 11;
 - c. Water Department Assistant Director will provide an update on the status of renegotiating leases at the next San Pasqual Land Use Task Force meeting on Feb. 13.

Renegotiation of leases for the San Pasqual Valley has involved considerable review by the Water Department. A key concern in this review has been ensuring that renegotiated leases have provisions which are in harmony with the objectives and goals outlined in both the San Pasqual Valley Vision Plan and the recently adopted San Pasqual Valley Groundwater Management Plan.

Both of the above documents recognize the need to manage the San Pasqual Valley to protect its water, agricultural, biological and cultural resources (See San Pasqual Vision Plan Council Policy 600-45). Balancing the desires of individual lessees against these broader goals can be challenging. The Ground Water Management Plan, for example, outlined the need to improve monitoring of the groundwater basin in San Pasqual Valley, the need to address water quality issues associated with nitrates and TDS levels, as well as the need to develop a more comprehensive groundwater monitoring plan to locate the source of 10 constituents within the groundwater that exceed contaminant levels and quality objectives outlined by the Regional Water Quality Control Board. In addition, to bring leases into compliance with the recently adopted plan, leases will be revised to reflect water as a stand alone commodity rather than a component of the rent.

Ensuring that these complex issues are addressed as the 57 leases in the valley are amended and renegotiated is critical to meeting the long-term objectives encompassed in the groundwater management and vision plans. The Water Department and Real Estate Assets Department are reviewing these leases with these long-term objectives in mind.

The Departments expect to be successful in coming to terms with *Suncoast Botanicals* on a lease amendment (there are 3.5 years remaining under the current lease). We expect to be successful in coming to terms with other leaseholders as well.

FISCAL CONSIDERATIONS: None

PREVIOUS COUNCIL and/or COMMITTEE ACTION: On January 14, 2008, the Ad Hoc Committee received a status report from the Water Department and the Real Estates Assets Department regarding the San Pasqual Leaseholders Affected by the 2007 Wildfires.


COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: Water Department staff will present an update on the status of lease issues to the San Pasqual Land Use Task Force at its next meeting on Feb. 13.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Water Department, San Pasqual Valley Land Use Task Force, San Pasqual Valley Community Planning Group, San Pasqual Valley lessees. It is expected that renegotiated leases will provide improved water quality and monitoring of the groundwater basin, while also refining long-term lease commitments of the City.



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