

Open Space Lands Transaction – Letter of Understanding

Background

OC Parks staff, under the direction of the County Executive Officer, has conducted preliminary discussions with the Irvine Company and The Nature Conservancy in order to effect the permanent transfer to the County of more than 20,000 acres of open space lands in central Orange County. The lands range from Gypsum Canyon on the north to Laguna Laurel on the south and are depicted in the attached Location Map (Exhibit A).

The lands are currently owned by the Irvine Company and, in certain areas, are encumbered by the restrictions of the Natural Communities Conservation Plan/Habitat Conservation Plan (NCCP/HCP) Implementation Agreement to which the County is also a signatory and by conservation easements held by The Nature Conservancy.

Orange County General Plan/OC Parks Strategic Plan

Direction for the acquisition and management of open space lands and regional recreation facilities is found in the Orange County General Plan. The Open Space Component of the Resources Element focuses on goals, objectives, and policies related to open space lands, while the Recreation Element focuses on regional parks. The two elements are designed to complement each other in order to maximize outdoor recreation opportunities and the preservation of natural resources.

Both elements have land acquisition programs. The programs are similarly structured, focusing primarily on acquisitions through property dedications or donations; both programs outline specific acquisition opportunities. Almost all of the lands proposed to be transferred are identified in one of the elements, some in both.

On October 7, 2007, your Board approved the OC Parks Strategic Plan which describes the County's vision and mission for the management of regional parks, beaches, and open space. Acquisition and management of these open space lands would be consistent with the Strategic Plan.

Current Management of the Open Space Lands

Most of the lands were protected as permanent open space in the 1990s. However, because of the financial condition of County Service Area 26 (OC Parks) during that period, the County was unable to acquire any of them. As a consequence, they remained held in fee by the Irvine Company, protected from development in a number of ways, such as their inclusion in the NCCP/HCP Implementation Agreement and being encumbered by the conservation easements held by The Nature Conservancy.

In 1992, the Irvine Company contracted management of the lands to The Nature Conservancy for science and stewardship purposes and to conduct public programs. In 2007, it transferred responsibility for those activities to the newly-created Irvine Ranch

Land Reserve Trust (since re-named the Irvine Ranch Conservancy) under the leadership of former Nature Conservancy land manager Michael O'Connell. At both times, in 1992 and 2007, when announcing these land management agreements, the Irvine Company made clear "its commitment to convey the underlying fee title to the land over the next 10 years to an appropriate municipality."

OC Parks Finances

Management of these lands will be financed by County Service Area 26, the successor to the Harbors, Beaches, and Parks District, a dependent special district. County Service Area 26 receives approximately 70 percent of its revenues from a dedicated portion of property taxes approved by the voters in 1934. The remaining revenues come from the use of OC Parks property through fees, leases, and licenses. Administration of these revenues for the acquisition, operations, and maintenance of OC Parks facilities is governed by State Harbors and Navigation Code.

As an element of the recovery from the County's 1994 bankruptcy, a portion of County Service Area 26's property taxes is being diverted to repay the bankruptcy debt. For FY 2009-10, the diverted property tax amounts to approximately \$9 million. As noted in the previous section, this diversion, as well as additional diversions imposed by the State (Educational Revenue Augmentation Funds), hampered OC Parks' ability to accept new lands under the General Plan acquisition programs. Additionally, the diversions resulted in a freeze in OC Parks staffing levels and limited OC Parks maintenance and capital project funding.

Growth in the County's assessed property valuation since 1994 has had a positive impact on OC Parks' financial condition. OC Parks currently has a funded capital improvement plan, appropriate staffing levels, and healthy reserves to support long-term maintenance activities and fund emergencies.

OC Parks is now financially well-positioned to assume, in the near future, the management of the Irvine Company lands as envisioned in the General Plan. A key component of that management will be the use of contracted support from non-profit organizations that share OC Parks' mission and vision. To facilitate the management transition of the lands, an agreement between the County and the Irvine Ranch Conservancy is proposed as part of the lands transaction. The agreement, for a period of up to three years, will enable the Conservancy to continue its stewardship activities and public programs uninterrupted while OC Parks evaluates the most effective ways to manage the lands over the long term.

Letter of Intent

OC Community Resources requests Board approval of a Letter of Intent regarding the open space lands transaction. The letter is from the County to the Irvine Company and The Nature Conservancy and identifies the County's intentions regarding the proposed lands transfer. Most importantly, the letter states the County's intention to accept the

approximately 20,000 acres with applicable deed restrictions for park, conservation, and NCCP/HCP purposes, as long as the transfers are by fee simple title accompanied by completed resource management plans. Additionally, the letter states the County's intention, concurrently with the transfers, to enter into agreements with The Nature Conservancy regarding funding; the Irvine Ranch Conservancy regarding transitional management; and the Irvine Company regarding funding, trail improvements, and the establishment of Black Star Canyon Regional Park.