



CITY OF BLYTHE

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September 28, 2010

Riverside County Grand Jury
P.O. Box 829
Riverside, CA 92502

Re: 2009-2010 Grand Jury Report: City of Blythe – Airport

Forwarded herewith, as adopted this date by the City Council, is the City's response to the 2009-2010 Grand Jury Report issued June 28, 2010 and released to the public after the close of business June 30, 2010.

Background

The City of Blythe Airport is situated six miles to the east of the City of Blythe, adjacent to Interstate 10. The airport was built in 1930 and expanded during WWII by the Army Air Corps as a training base with two runways, each exceeding 6,000 feet. It was closed following the war and the property deeded over to the County of Riverside.

The County of Riverside leased the airport to the City of Blythe for a period of 30 years in a lease agreement dated May 20, 1997. The Riverside County Economic Development Agency (EDA) is currently reviewing this lease. The original lease specifically disallows subleases without prior approval of lessor.

In July 2009, U.S. Solar Holdings, LLC expressed an interest in leasing from the City of Blythe 829 acres out of a total 3,904 acres in the northeast section of the airport property for the purpose of erecting a 100 megawatt solar generating plant (Photovoltaic Project) to generate electric power. (See Attachments 1 & 2) The initial sublease would be for a term of 25 years.

Correction

The airport is located approximately six miles to the *west* of the City of Blythe.

Grand Jury Findings

1. The City of Blythe entered into a sublease agreement and a Community Benefits Agreement with U.S. solar dated November 10, 2009. The sublease is in violation of terms of the lease agreement dated May 20, 1997, between the County of Riverside and the City of Blythe.

City Response: Disagree. Section 7, paragraph (b) of the lease agreement with the County states, in part, "Additional Obligations of Lessee. Lessee shall, during the term of this lease: (b) Prepare, negotiate and execute sub-lease agreements, utilizing fair and reasonable minimum standards relevant to the proposed activity. Sub-lease agreements will be routinely submitted to Lessor, for review and comment. Lessor will respond in writing to Lessee within thirty (30) days. Failure to respond within thirty days shall constitute Lessor's approval of the proposed sub-lease agreement. Sub-lease agreements shall be in form pre-approved by the Lessee and Lessor."

Inasmuch as the foregoing calls for "review and comment" by the County, all throughout its contract negotiations with U.S. Solar, the City was operating with the understanding that the County was in complete agreement with the progress of the preparation of the U.S. Solar sub-lease. More specifically, County EDA was instrumental in a significant re-write of nearly the entire sub-lease (on behalf of the City during the latter's negotiations with U.S. Solar) originally submitted by U.S. Solar. Throughout this extended re-write process, the City and County were in constant communication, often daily, regarding the County's recommended contract changes. Such recommended contract changes clearly constituted the 30-day "response" by the County as required by the lease. With no airport expertise of its own, the City asked for, and received, this valuable assistance from the County and was extremely grateful for the ongoing assistance. The City is therefore perplexed as to why this finding was made.

2. The EDA holds that this sublease is unacceptable to the County and in violation of the existing lease agreement between the County of Riverside and the City of Blythe. The EDA is in favor of the project and desirous of proceeding with a proper lease arrangement with the legal entities.

City Response: None required as the Finding reflects the views of the County.

It should be noted that the City and County EDA have been discussing this issue since February 2010 and the City has been steadfast in its insistence that the document, as re-written substantially by the County, was acceptable to the County at the time it was presented to the City Council for approval. Numerous, subsequent meetings have shown both parties continue to disagree as to the scope of work performed by the County on the City's behalf and have therefore agreed to disagree.

Having said all of the foregoing, however, the City has been working with the County since February 2010 to make any and all required corrections so as not to jeopardize the County's ability to secure federal grant funds for its other four airports. The City made this commitment during the first meeting with the County held in February 2010 when the issue of the County's dissatisfaction with the sub-lease first surfaced. Both parties have worked diligently since that time to find a

mutually-acceptable solution. The City therefore does not understand why County EDA presented this issue to the Grand Jury in the first place.

It is the City's understanding that the County has been working closely with U.S. Solar on terms that will make the project acceptable to the County.

Grand Jury Recommendations

1. The City of Blythe should cancel all not proposed (*sic*) sublease agreements and the Community Benefits Agreement between the City of Blythe and Southwest Land Holdings, LLC (a wholly owned affiliate of U.S. Solar) for the airport property. The EDA should assume the role as sole leasing agency for all lease agreements between the County of Riverside and Southwest Land Holdings, LLC.

City Response: The City of Blythe has already initiated proceedings with the County through which control of the airport will revert to the County. Both jurisdictions want to ensure that it remains an airport and once again becomes eligible for federal grant funds, a position never achieved by the City since signing the 1997 lease agreement with the County. Both parties agree that the County is best suited to achieve this goal. An integral part of that transition will be the ultimate cancellation of all agreements with U.S. Solar, as recommended by the Grand Jury. However, it is the City's perspective that simultaneous cancellation of these agreements and reversion to County control will be critical. Until that can be achieved, the City is not likely to unilaterally cancel any of the agreements with U.S. Solar.

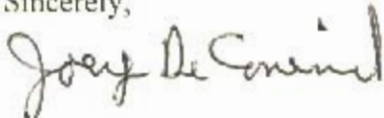
2. The EDA should proceed with creating a lease between the County of Riverside and Southwest Land Holding, LLC, a wholly owned affiliate of U.S. Solar, for the 829 acres and comply with the covenants imposed by the Federal Aviation Administration (FAA). Public Law 80-289 states in part "the income from such property must be used to support the maintenance, operation, or development costs of the aeronautical property".

City Response: None required as this recommendation suggests how the County should proceed.

Conclusion

The City of Blythe appreciates the work of the Grand Jury as well as the opportunity to comment on its findings and recommendations.

Sincerely,



Joey DeConinck
Mayor