Agenda Item

Orange City Council

Item #: 9.1.	8/25/2026	**File #:** 26-0482

TO: Honorable Mayor and Members of the City Council

FROM: Jarad Hildenbrand, City Manager

1. SUBJECT

Agreements related to the restoration and future conveyance to the City of the approximately 67.7-acre former Sully-Miller property at 6145 E. Santiago Canyon Road for permanent public open space, and finding of California Environmental Quality Act exemption

2. SUMMARY

The former Sully-Miller property has been the subject of development proposals, environmental and regulatory proceedings, and significant community interest for decades. At the same time, preservation of Santiago Creek, open space, trails, natural resources, and the rural character of Orange Park Acres has been a long-standing community planning objective.

The agreements before the City Council present an opportunity to bring these histories together by establishing a contractual pathway through which Landify ECT Construction Corporation (Landify) would seek to acquire the approximately 67.7-acre property from Milan REI X, LLC (Milan), undertake an Inert Debris Engineered Fill Operation (IDEFO) and associated grading and site preparation necessary to establish the final landform, and, following completion and satisfaction of specified environmental, regulatory, engineering, title, insurance, and other closing conditions, convey the property to the City for permanent public open-space purposes. Landify is not responsible for final habitat restoration, trails, equestrian facilities, or other finished public amenities; those improvements would be the City's responsibility following conveyance and would be considered through future planning, environmental review, budgeting, grant funding, and City Council action.

Approval does not constitute the City's present acceptance of the property or approval of a final grading plan. Landify would own the property during its operations. Environmental testing and regulatory review remains underway, including review by the Orange County Health Care Agency acting as the Local Enforcement Agency (LEA). The LEA's forthcoming determination regarding the existing Stipulated Notice and Order (SNO), together with other applicable regulatory requirements, will inform the ultimate grading and site preparation plans.

If Landify performs its obligations and the City's closing conditions are satisfied, the City will be contractually obligated to accept the property. The conveyance will also include an appropriate recorded restriction limiting the property to permanent public open space and compatible public uses.

The transaction builds upon recent open-space preservation efforts along Santiago Creek. In 2024, approximately 14 acres associated with the Chandler/Hurwitz property were preserved for public open-space purposes. In January 2026, the City accepted from Milan approximately 30.75 acres of the northern portion of the Sully-Miller site. If the Sully-Miller transaction is successfully completed, these three efforts would collectively represent approximately 112 acres of public open-space preservation along Santiago Creek.

The agreements are an important step, but not the final step. Regulatory review, Landify's IDEFO and grading work, future community planning, funding, and long-term stewardship will continue to develop over the coming years.

3. RECOMMENDED ACTION

1. Approve the Real Property Transfer Agreement between the City of Orange and Landify ECT Construction Corporation for the future conveyance of the approximately 67.7-acre former Sully-Miller property to the City, subject to the terms and conditions contained therein.

2. Approve the Multiparty Indemnification and Release Agreement among the City of Orange, Landify ECT Construction Corporation, and Milan REI X, LLC concerning environmental liabilities associated with the property.

3. Authorize the Mayor to execute the agreements on behalf of the City.

4. Authorize the City Manager to execute related documents once finalized and made available, including agreement exhibits, and authorize the City Manager take actions necessary to incorporate those exhibits as a part of the agreements and implement said agreements, including executing non-substantive modifications, amendments, or extensions consistent with the purpose and intent of the agreements and approved as to form by the City Attorney, provided that such modifications, amendments, or extensions do not materially increase the City's financial obligations or environmental liability or materially alter the conditions to the City's acquisition of the property.

5. Find that approval of the agreements is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15060(c), and is further exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3) because it can be seen with certainty that the approvals will not have a significant effect on the environment; and direct staff to file a Notice of Exemption.

4. FISCAL IMPACT

The agreements do not require the City to fund Landify's acquisition of the property or the design or operation of Landify's IDEFO and grading activities, and the Real Property Transfer Agreement does not provide for payment of a purchase price by the City.

Prior to conveyance, the City will be responsible for its internal administrative costs and certain third-party out-of-pocket costs incurred in carrying out its obligations under the Agreement, including applicable City oversight, monitoring, inspection, due diligence, title, escrow, and legal costs. Regulatory monitoring or inspection required in connection with Landify's IDEFO operations prior to closing will be Landify's responsibility. At closing, the City will be responsible for the premium for the owner's title insurance policy, one-half of escrow fees and costs, and its own legal fees and costs. Landify will be responsible for applicable City and County transfer taxes and recording costs associated with the Grant Deed. Any additional costs associated with optional extended title coverage requested by the City will also be the City's responsibility. Milan is responsible, at its sole cost and expense, for obtaining the pollution legal liability insurance required by the Multiparty Indemnification and Release Agreement.

Following conveyance, the City will assume responsibility for ownership, operation, maintenance, stewardship, and any future public improvements. The agreements do not establish the cost or scope of future master planning, habitat restoration, trails, recreational amenities, equestrian facilities, or ongoing maintenance. Any such expenditures will be subject to future City Council consideration and appropriation through the City's budget and capital improvement processes. Staff is evaluating grants, technical assistance, partnerships, philanthropic contributions, and other outside funding opportunities, including assistance through CCLR and the Orange County Brownfields Revitalization Program, subject to applicable eligibility requirements.

5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Stability

Objective 2.3: Work with appropriate stakeholders and identify a beneficial use and final resolution for the Sully Miller Site

Segment 1: East Orange to Villa Park Road

Project 1.8: Santiago Creek Trail Gap Closure

6. DISCUSSION AND BACKGROUND

The Sully-Miller Property: More Than a Century of History

The approximately 67.7-acre property commonly known as Sully-Miller is located at 6145 E. Santiago Canyon Road along Santiago Creek within Orange Park Acres. The property is part of a larger area with a history of resource extraction dating back more than a century. Sand and aggregate mining occurred on the larger Sully-Miller site from approximately 1919 to 1995, followed by other industrial and related uses.

The question of what should happen to the property after the conclusion of mining has been discussed for decades. Beginning in the 1970s, the Santiago Creek Greenbelt Plan, Orange Park Acres Specific Plan, and East Orange planning efforts established a long-term vision emphasizing open space, the Santiago Creek corridor, trails, natural resources, and the rural character of the surrounding area.

In 1993, the City Council approved a General Plan Amendment, zone change, and tentative tract map allowing 25 residential lots on approximately 12.6 acres north of Santiago Creek adjacent to Mabury Ranch. The tentative tract map expired in 2000. A new tract map for 22 homes on this property was ultimately approved by the City Council in 2020.

Beginning in 1999, Fieldstone Communities pursued a substantially larger proposal involving 189 homes on the larger Sully-Miller site, including 18 homes north of Santiago Creek. The City Council approved the project in 2003. Opponents subsequently gathered sufficient signatures to qualify a referendum challenging the approval, and the City Council ultimately rescinded the project approvals rather than proceed to an election.

In 2009, the property returned with an application for the Rio Santiago proposal. Initially contemplated at more than 450 residential units, the proposal was ultimately reduced to 395 units and also included private recreational facilities and publicly accessible trails and open space. Following several years of review and substantial community opposition, the City Council denied the project in 2014.

The next major proposal was Trails at Santiago Creek. Milan proposed a residential project in 2018 that ultimately resulted in City Council approval in October 2019 of land-use changes allowing 128 single-family homes on the larger site, with substantial open space and Santiago Creek Greenway improvements. The approval again resulted in a referendum effort. More than 13,000 signatures were submitted, the referendum qualified for the ballot, and Orange voters rejected the residential approvals at the November 2020 election, with approximately 63 percent voting against the measure. The project's Environmental Impact Report was also challenged, and in July 2021 the City Council rescinded the resolution certifying the EIR.

More recently, Milan submitted two Builder's Remedy applications affecting its properties in the area. The City and Milan subsequently negotiated a broader resolution reflected in a 2025 Memorandum of Understanding involving three principal matters: the previously entitled Mabury 22-home tract north of Santiago Creek, a proposed 30-unit residential project at the existing arena site, and a pathway for the approximately 67.7-acre Sully-Miller property to be prepared by Landify and ultimately conveyed to the City for public open space.

The negotiated framework has continued to evolve as the individual projects have advanced. In May 2026, the City Council approved a First Amendment extending applicable processing deadlines and Builder's Remedy Tolling Agreements. In July 2026, the City Council approved a Second Amendment addressing the possibility of litigation challenging the Arena Residential Project or the Sully-Miller Open Space Project. The Second Amendment permits Milan, at its option, to extend the applicable Builder's Remedy Tolling Agreement during the pendency of such litigation, including appeals. The amendment was intended to preserve the negotiated framework while litigation is resolved and did not itself approve either project or grant development entitlements. The agreements now before the Council are the next significant step in implementing the Sully-Miller component of that broader negotiated framework.

East Orange Santiago Creek Greenbelt Corridor - A Long-Standing Open-Space Vision

Preservation of Santiago Creek and the rural and open-space character of Orange Park Acres is not a new planning concept. The Orange Park Acres Specific Plan includes objectives to maintain the area's rural character, preserve drainage courses and natural resources, provide interconnected trails, and protect Santiago Creek as an ecological and riparian resource while allowing compatible recreational uses. The Specific Plan also promotes the phasing out of gravel pit operations along Santiago Creek and restoration of natural amenities within the area.

The historic Santiago Creek Greenbelt concept similarly envisioned an interconnected corridor of open space, trails, recreation, natural resources, agricultural areas, and parkland extending along Santiago Creek.

Recent actions have begun translating that long-standing vision into public ownership. In 2024, approximately 14 acres associated with the Chandler/Hurwitz property were preserved for public open-space purposes. In January 2026, the City accepted from Milan approximately 30.75 acres of the northern portion of the Sully-Miller site. The dedicated property surrounds the previously entitled Mabury 22-home tract north of Santiago Creek and includes conservation lands associated with that development and conservation easements involving Rivers & Lands Conservancy and the California Department of Fish and Wildlife.

If the approximately 67.7-acre Sully-Miller property is ultimately conveyed to the City, these three preservation efforts would collectively represent approximately 112 acres along Santiago Creek. The properties are not necessarily one contiguous site, but together they create opportunities for coordinated habitat protection, trails, passive recreation, watershed stewardship, and long-term open

-space planning.

The Landify Agreements and Regulatory Process

Under the proposed framework, Landify would acquire the property from Milan and undertake an IDEFO and associated grading and site preparation. An IDEFO involves the acceptance, processing, and placement of clean soil and inert debris in accordance with applicable regulatory requirements to establish an approved final landform.

Landify is responsible for the IDEFO, grading, and site preparation contemplated by the Agreement. Landify is not responsible for constructing the City's final restoration, future trails, equestrian facilities, recreational amenities, or other finished public improvements.

The Real Property Transfer Agreement establishes the conditions under which the property will ultimately be conveyed to the City. Landify will own and operate the property during the IDEFO and grading process. A separate Multiparty Indemnification and Release Agreement requires Milan, at its sole cost and expense, to procure pollution legal liability insurance as the primary source of recovery for covered environmental claims and allocates specified environmental responsibilities among Milan, Landify, and the City. The policy is required to provide limits of not less than $3 million per claim and $3 million in the aggregate, with a self-insured retention not exceeding $50,000 per claim, and, subject to its terms and limitations, to cover both pre-existing and new pollution conditions during Landify's ownership and for at least five years following the City's acquisition, but no longer than ten years from issuance.

Environmental testing and regulatory review remains underway. The LEA and other applicable agencies continue to review environmental testing results and technical information concerning the property. The LEA's determination regarding the work necessary to satisfy the SNO is forthcoming. Those determinations will help establish the requirements for Landify's IDEFO, grading, and site preparation.

The agreements therefore do not approve a predetermined final grading plan, IDEFO operating plan, reclamation plan, permit, or other regulatory approval, and do not conclude the regulatory or environmental review process for any future discretionary approval. Future IDEFO, grading, corrective work, and permits remain subject to applicable regulatory requirements, approvals, legal standards, procedures, and findings, and the City’s community planning and proposed improvements remain subject to applicable environmental review.

Conditions and Commitment to City Acquisition

The transaction is structured so that the City does not take ownership at the beginning of Landify's work. Before conveyance, specified closing conditions must be satisfied, including environmental and geotechnical testing and applicable regulatory requirements required before Landify's acquisition, approval of applicable IDEFO permits and the LEA operating plan, completion and certification of required grading, satisfaction of representations and warranties, acceptable title, required closing documents, execution of the environmental liability agreement, and required environmental insurance.

The City has conducted preliminary due diligence sufficient to enter into the Agreement and retains the right, as provided in the Agreement, to review information arising from Landify's use and operation of the property through closing, including grading activities, regulatory review, site monitoring, and new environmental information.

These conditions protect the City from prematurely accepting the property. They also define the commitment the Council is being asked to make now: if Landify performs its obligations and the City's closing conditions are satisfied, the City will be contractually obligated to complete the transaction and accept ownership. The Agreement does not contemplate a second City Council approval at the time of conveyance.

The conveyance will also include a recorded restriction limiting the property to permanent public open space and compatible public uses.

Project Feasibility and Risk

The proposed transaction offers a significant opportunity, but successful completion is not guaranteed.

Landify's multi-year IDEFO operation depends upon regulatory conditions, availability and volume of suitable soil, tipping fees, market conditions, and other economic factors. If the project becomes commercially infeasible, the Agreement establishes a process for the parties to evaluate potential modifications, mutual termination, or other alternatives. The City is not required to provide additional funding or accept an incomplete property.

Because Landify will own the property during its operations, a default, insolvency, or cessation of operations would not itself transfer ownership to the City. The Agreement includes protections intended to address incomplete performance, including security equal to 100 percent of the estimated cost to complete required reclamation work for each grading phase before that phase begins. If Landify exercises its contractual termination right because the IDEFO is approved but becomes commercially infeasible, Landify is required to perform specified reclamation work on any grading phase that has commenced but has not been completed. The City would not be required to acquire the property.

Environmental testing and regulatory review also remain underway, and the LEA has not yet made its final determination regarding the work necessary to satisfy the SNO. Those determinations could affect the scope, timing, and economic feasibility of Landify's work.

Landify has advised the City that its continued participation is time-sensitive and that it is prepared to continue pursuing the transaction through the end of 2026, but has not committed to remain beyond that timeframe. This does not alter the City's obligation to complete all required public review and regulatory processes, but significant delay could affect the continued availability of the proposed transaction.

Upon conveyance, the City will assume responsibility for long-term ownership, maintenance, stewardship, and future public improvements. Those costs are not presently known and will be addressed through future planning and budget processes.

If the agreements are not approved, the proposed Landify transaction and contractual pathway for the approximately 67.7-acre property to be prepared for open space and ultimately conveyed to the City will not proceed as currently structured, and there is no assurance the same opportunity would remain available later.

Planning for Future Public Use and Funding

The agreements do not determine the property's final public amenities. Those decisions will be developed through future community planning, environmental review, budgeting, and City Council action, consistent with the final regulatory requirements and approved landform.

The anticipated multi-year IDEFO and grading process provides time for the City to engage residents and stakeholders and evaluate trails, equestrian facilities and uses, habitat restoration, environmental education, passive recreation, scenic and natural resources, access, and other compatible open-space improvements. This process can also establish priorities and preliminary cost estimates before the City assumes ownership.

Staff has also begun evaluating outside funding and technical-assistance opportunities that may support environmental assessment, reuse planning, restoration, future improvements, and stewardship. These efforts include coordination with the Center for Creative Land Recycling (CCLR) and evaluation of potential assistance through the Orange County Brownfields Revitalization Program, subject to applicable program and EPA eligibility requirements.

Looking Ahead

For decades, the future of Sully-Miller has been defined by competing development proposals, regulatory proceedings, community debate, referenda, litigation, and uncertainty. The agreements before the Council offer a fundamentally different path.

That path is neither immediate nor guaranteed. Regulatory review must be completed, the LEA must determine the requirements necessary to address the SNO, Landify must acquire the property, obtain the required approvals and successfully complete its IDEFO and grading obligations, and the City's closing conditions must be satisfied.

If those steps are successfully completed, approximately 67.7 acres along Santiago Creek will be conveyed to the City for permanent public open-space purposes. Combined with the approximately 30.75 acres of the Sully-Miller property previously dedicated by Milan and the approximately 14 acres associated with Chandler/Hurwitz, these three efforts would collectively preserve approximately 112 acres of public open space along the Santiago Creek corridor.

After decades in which much of the conversation surrounding Sully-Miller has focused on what might be developed there, the proposed framework creates an opportunity to change that conversation to restoration, preservation, public ownership, and a shared vision for the future.

Staff recommends approval of the proposed agreements.

Environmental Review

Approval of the Real Property Transfer Agreement and the Multiparty Indemnification and Release Agreement is not a “project” subject to the California Environmental Quality Act (CEQA) because approval of the agreements will not itself result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Pub. Res. Code, § 21065; CEQA Guidelines, § 15060(c).

The agreements establish contractual terms governing the future conveyance of the property to the City and allocate environmental liability among the parties. The agreements do not themselves approve or authorize the IDEFO, a final grading plan, reclamation plan, operating plan, grading permit, or other regulatory authorization necessary to conduct physical activities on the property. Landify must separately obtain the permits, regulatory approvals, and environmental review, if required under applicable law before conducting such activities.

Nothing in the agreements limits, waives, or predetermines the City's exercise of its governmental, regulatory, permitting, environmental review, police power, or land-use authority. Any future discretionary governmental approval required for physical activities on the property remains subject to the applicable legal standards, procedures, findings, and environmental review required at the time that approval is considered. Accordingly, approval of the agreements does not constitute approval of those future physical activities or predetermine the City's consideration of any subsequent discretionary approval.

Approval of the agreements is also exempt from CEQA pursuant to the “common sense exemption” because it can be seen with certainty that approval of the agreements will not itself result in a significant effect on the environment. CEQA Guidelines, § 15061(b)(3).

7. ATTACHMENTS

- Attachment 1 - Real Property Transfer Agreement between the City of Orange and Landify ECT Construction Corporation
- Attachment 2 - Multiparty Indemnification and Release Agreement among Milan REI X, LLC, Landify ECT Construction Corporation, and the City of Orange
- Attachment 3 - Property Location Map
- Attachment 4 - Orange Park Acres Specific Plan - Relevant Goals, Objectives, and Policies.
- Attachment 5 - Historic Santiago Creek Greenbelt Map