

Policy Briefing Summary

City Council



Regarding:	Authorization for the City Manager to Execute a Lease Agreement with RWSA for the Sugar Hollow Reservoir
Staff Contact(s):	John Maddux, City Attorney
Presenter:	Riaan Anthony, Director of Parks & Recreation
Date of Proposed Action:	October 5, 2026

Issue

The Virginia Department of Forestry ("DOF") has proposed to acquire a permanent open-space easement on approximately 797 acres of City-owned land at Sugar Hollow in Albemarle County. The property adjoins Shenandoah National Park and surrounds the Sugar Hollow Reservoir. The acquisition will be funded by \$1,575,000 in USDA Forest Service Forest Legacy Program ("FLP") funding that DOF was awarded in 2023 as part of the Shenandoah Borderlands Project.

City staff has been working for more than two years, in partnership with the Virginia Department of Forestry ("DOF"), to complete a permanent open-space easement on the City-owned Sugar Hollow property (the "Property") under the USDA Forest Service Forest Legacy Program ("FLP"). As a required step before the DOF deed of easement can be finalized and recorded, the City and the Rivanna Water and Sewer Authority ("RWSA") must execute an updated lease agreement that clearly defines the extent of the RWSA's rights in connection with the Sugar Hollow Reservoir, which area will be excluded from the open-space easement.

For City Council's review and consideration, attached are the proposed updated Lease Agreement between the City and RWSA and the Resolution authorizing its execution.

Background / Rule

In 2023, DOF was awarded \$1,575,000 in federal funding through the USDA Forest Service Forest Legacy Program (Grant #23-DG-11083151-002) to acquire a permanent open-space easement on the City's 797.007-acre Sugar Hollow property in Albemarle County, identified in the grant as the Sugar Hollow tract of the Shenandoah Borderlands Project.

City of Charlottesville Parks and Recreation staff has been engaged in this conservation effort for over two years, coordinating appraisal, forest stewardship planning, baseline documentation, and legal review with DOF, RWSA, and the City Attorney's Office.

The Sugar Hollow Reservoir, located at the center of the Property, serves as a community water supply and is managed by RWSA. To avoid complicating RWSA's continued operation and maintenance of the Reservoir, DOF agreed to exclude the RWSA management area from the open-space easement.

Because removal of the RWSA management area from the Albemarle County tax map parcel must be legally referenced in the property description within the DOF deed of easement, the updated Lease Agreement must be finalized and recorded in the Albemarle County Clerk's Office before the easement can proceed.

On July 21, 2026, the State Forester notified the City Manager that the project was at risk because

finalizing an updated lease agreement between the City and RWSA had taken longer than anticipated. DOF agreed to leave the RWSA management area around the reservoir out of the easement so as not to complicate reservoir operations, and the lease area must be removed from the tax map parcel description in the deed of easement, so the lease must be finalized and recorded before DOF can proceed. DOF set benchmarks and an absolute end date of November 20, 2026.

An independent appraisal prepared by Myers & Woods Appraisal Group, Inc., reviewed for compliance with the Uniform Appraisal Standards for Federal Land Acquisitions by Miller, Long & Associates, Inc., established the market value of the open-space easement at \$4,390,000. Under the terms of the Amicable Agreement executed by the City on August 7, 2026, the City has agreed to a voluntary sale of the easement to DOF for \$1,575,000, equal to the full FLP acquisition grant amount.

Analysis

The updated Lease Agreement formalizes the boundaries of the RWSA management area, ensuring RWSA retains the operational control necessary to protect the community's water supply while allowing the DOF conservation easement to proceed over the remainder of the Property.

Execution and recordation of the Lease Agreement is a prerequisite to City Council's approval of the DOF open-space easement and to closing on the Forest Legacy Program grant. Timely action keeps the City aligned with DOF's revised project schedule and preserves the \$1,575,000 in federal conservation funding, which DOF has indicated will be redirected to another project if the City's November 20, 2026 deadline is not met.

Approval of the Lease Agreement reflects more than two years of coordinated staff effort across Parks and Recreation, the City Attorney's Office, and RWSA to align the operational needs of the community water supply with the long-term conservation of the Sugar Hollow property, and permanently protects a significant tract of forested land from future development.

Financial Impact

Under the Amicable Agreement, the City will receive \$1,575,000 in Forest Legacy Program grant funding in exchange for the open-space easement upon closing. Execution of the updated Lease Agreement with RWSA itself imposes no direct cost on the City's operating budget; RWSA will continue to operate and maintain the Reservoir management area under the terms of the updated Agreement.

Recommendation

City staff recommend that City Council adopt the attached Resolution authorizing the City Manager, or designee, to execute the updated Lease Agreement with the Rivanna Water and Sewer Authority for the Sugar Hollow Reservoir management area, enabling the City to proceed toward final approval and recordation of the Forest Legacy Program open-space easement on the Sugar Hollow property.

Recommended Motion (if Applicable)

I move adoption of the Resolution authorizing execution of the updated Lease Agreement with the Rivanna Water and Sewer Authority for the Sugar Hollow Reservoir management area.

Attachments

1. Sugar Hollow Resolution