



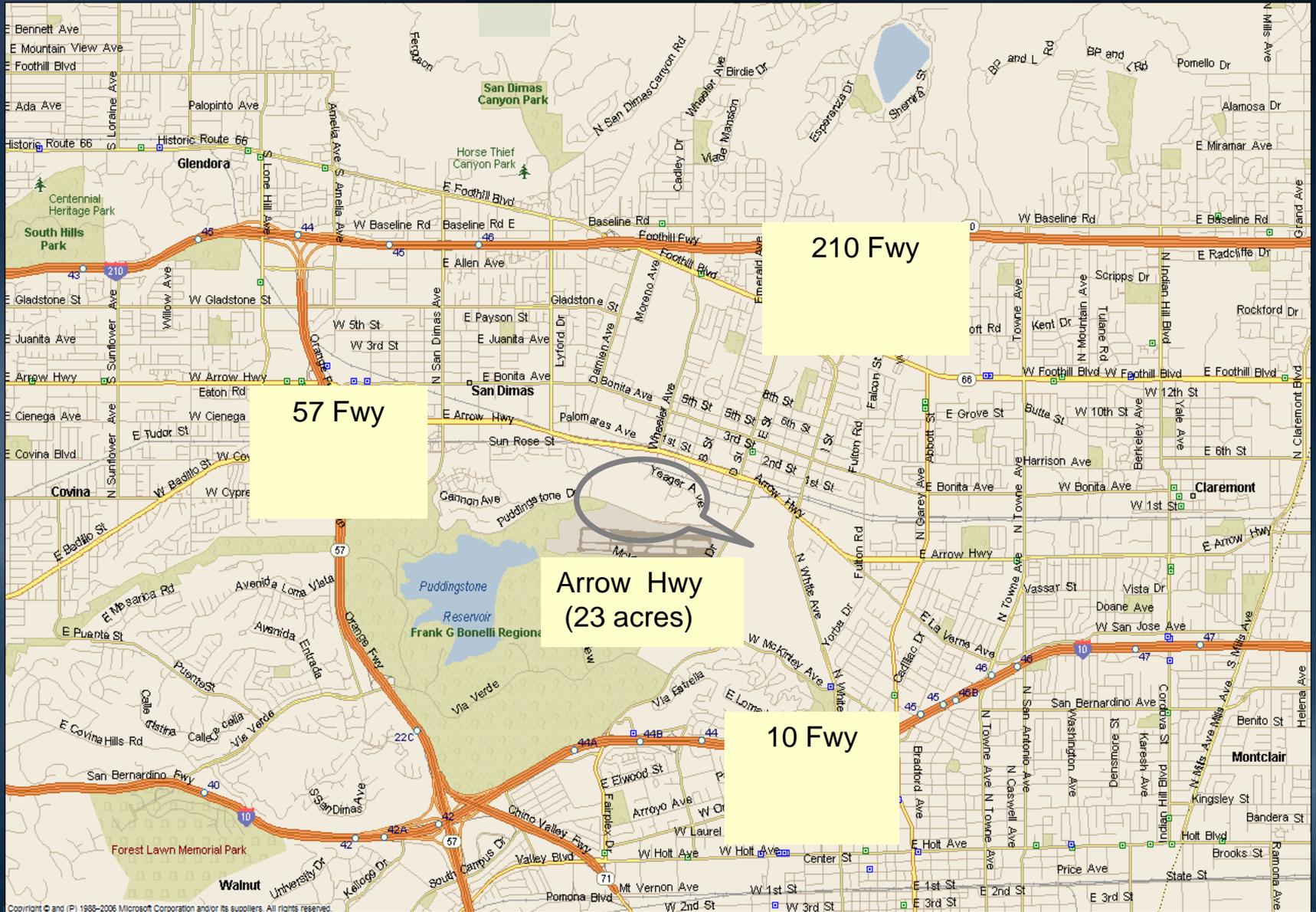
# Affirm Surplus Determination of Arrow Highway Property

Real Property & Asset Management Committee

Item 8-1

June 22, 2010

# Location Map



# Arrow Highway Property



University of La Verne

MWD

# Property Background

- Acquired 97 acres in 1940 for \$14,250
- 23.8 acres valued at \$4.2 million in 2004 during strong market
- Zoned commercial/industrial
- Market at a virtual stand still—worth only what someone is willing to pay
- Two qualified developers were identified through the RFQ process
- Property is deemed excess to operational needs

# Offer

- Christ's Church of the Valley (San Dimas)
- Other developers have expressed interest in purchase, but have not made offers
- Respondents from RFQ also can make offers

# Surplus Process

- GM declares that real property is surplus to Metropolitan's operational needs
- Independent appraisal is completed
- Board affirms GM's real property surplus designation and approves disposition method
- Property is offered to public agencies at fair market value for a 60-day period, in compliance with the Surplus Lands Act
- If property is not purchased by public agency, GM disposes of property as directed

# Property Value

- Appraisal
  - Appraisal was completed by an independent appraiser- Cushman & Wakefield
  - Preliminary fair market value of this parcel was estimated between \$6.7 to \$7.7 million
  - Only way to determine real value is through open public bid process

# Conservative Residual Land Value Analysis

- Construction costs of \$28 to \$30 million (rentable square feet is 345,314)
- Offsite cost (not including improvement cost for Wheeler Ave) \$1,769,388
- Cap Rate 9% to 11% (NOI/Cost = Cap Rate)
- Tenant Revenue, NOI at Stabilized - \$2.5 million
- MWD Revenue – range of \$360,000 to \$400,000 annually, with CPI adjustments every 3 to 5 years

# Moderate

## Residual Land Value Analysis

- Construction costs of \$20 million (rentable 399,750 sq. ft.)
- Cap Rate 8% to 10% ( $\text{NOI}/\text{Cost} = \text{Cap Rate}$ )
- Tenant Revenue, NOI at Stabilized - \$2.6 million
- MWD Revenue – range of \$810,000 to \$1 million annually, with CPI adjustments every 3 to 5 years

# Development Concept



# Options

## ● Option #1

- Affirm the General Manager's determination the subject property comprised of 23.803 acres is surplus and carry out disposition of the property in its current condition
- Market the property for sale on the open market for its fair market of \$6.7 to \$7.7 million in a form approved by the General Counsel

## ● Option #2

- Do not surplus the subject property
- Release RFP to obtain proposals from respondents qualified under RFQ to ground lease property for commercial development to generate an ongoing revenue

# Options – cont'd

- Option #3
  - Do not surplus the subject property ; and
  - Leave the land in its current “as is” condition and return to the Board with a management plan for the property

# Recommendation

- Option #1
  - Affirm the General Manager's determination the subject property comprised of 23.803 acres is surplus and carry out disposition of the property in its current condition
  - Market the property for sale on the open market for its fair market of \$8 million in a form approved by the General Counsel



# Request-for-Proposals Key Elements

- 100% highest & best use
- Site plans
- Pro forma/project cash flow
- Option price on the land
- Base ground rent – during construction and operation

# RFP Key Elements (cont.)

- Term
- Audited financials
- Bonding capability/capacity
- \$100,000 deposit