

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 18, 1993

To: Board of Directors (Land Committee--Action)

From: General Manager

Subject: Payment of Relocation Assistance Benefits in the Amount of \$779,166 to Embly Ranch, a California Partnership, Owned by Richard E. Long, et al., MWD No. 144-001-41 and 143, for the Purpose of Relocating the Egg Ranch Operation to Iowa

Report

In September 1992, your Board authorized a settlement for the acquisition of real property and improvements, machinery and equipment from the Embly Ranch, Inc. and its owners (MWD Parcel No. 144-1-143). This acquisition is necessary for the Domenigoni Valley Reservoir Project. The purchase included the land, buildings and equipment used in operating a major egg production business. The business also includes over 508,562 hens which produce approximately 3 million eggs per week.

In addition to the compensation received for the acquisition of its real and personal property, Embly Ranch is entitled to be paid for any loss of business goodwill caused by the acquisition which cannot be reasonably avoided by relocating the business. The Relocation Assistance law further requires Metropolitan to provide assistance, including the payment of certain costs incurred, in relocating the business. The relocation of the business will also assist in the retention of its goodwill value, which may reduce the liability of Metropolitan for a loss of business goodwill claim.

Pursuant to the Relocation Assistance law, Metropolitan's consultant has assisted the Embly Ranch in a wide-ranging search for a replacement site for the business. Due to the lack in California of replacement sites with appropriate zoning and acreage and reasonable cost, no reasonable sites were located in California. After an expanded search, the Embly Ranch has located an acceptable site in Iowa to which the business can be moved. The replacement property consists of vacant land and lacks utility services. However, the site has advantages to Embly Ranch because it is located close to feed sources and the property costs are lower than in California. The replacement property also provides a benefit to Metropolitan because the lower operating costs in Iowa will act to reduce any claim for loss of business goodwill.

However, the Embly Ranch is entitled to receive relocation benefits for costs it incurs in relocating the business. Under the Relocation Assistance law and regulations, these benefits include reimbursement for the reasonable, actual costs incurred in relocating and re-establishing the business. Metropolitan's relocation consultant has determined that Embly Ranch is entitled to be reimbursed for certain costs which it incurs in constructing a replacement chicken ranch on the Iowa replacement site. The following figures are based on estimates only, and the payments to Embly Ranch will be made based upon actual expenses, which may be higher or lower than the estimates. The claims submitted will be reviewed by Metropolitan's consultant and staff to assure that the costs are actual and reasonable.

The estimated costs are:

Site Planning Costs	\$ 50,000
Engineering Costs and Fees for Zoning and Permits	\$170,000
Utility Connections	\$270,000
Water Wells	\$218,333
Subtotal	\$708,333
Contingency (10%)	\$ 70,833
Total	\$779,166

Site Planning and Engineering Costs

The Relocation Assistance regulations require that a displaced business be compensated for actual, reasonable and necessary expenses incurred in moving and re-establishing the business. Such costs include the cost of modifying or improving the replacement site to render it suitable for the business; the cost of any license or permit required to operate the business at the new location; and the cost of professional services (including architects', attorneys' and engineers' fees) necessary for planning and installing the business' machinery and equipment at the replacement site. Thus, the site planning and engineering costs of preparing the replacement site for the poultry farm are recoverable by Embly Ranch.

Utility Connections and Water Wells

The replacement site is located in a rural area and does not have utilities to the site. The costs listed above are the estimated costs to bring utilities to the property, and to drill two wells for a water supply. The Relocation Assistance regulations provide for reimbursement of the costs of modifying the replacement site to make it suitable for the business, including the payment of connection charges to public utilities. The Iowa property will not be usable by the poultry farm without incurring these expenses.

None of the costs listed above have been paid to Embly Ranch through other compensation. The Ranch will have to pay the costs of buying the Iowa property, constructing the improvements and purchasing the equipment necessary to re-start the business. All of these items were paid for by Metropolitan when it acquired the existing land and improvements in the Domenigoni Valley. The Relocation Assistance law affords the displaced business additional benefits to cover these additional costs incurred in moving a business. The payment of these costs will also help reduce Metropolitan's liability for a multi-million dollar loss of business goodwill claim which would result from the permanent closing of the business.

Compliance with the California Environmental Quality Act was completed when your Board certified the Final Environmental Impact Report for the Domenigoni Valley Reservoir Project in October, 1991.

May 18, 1993

Board Committee Assignments

This letter is referred to the:

The Land Committee for action because of its authority to study, advise and make recommendations with regard to policies for the acquisition of rights-of-way pursuant to Administrative Code Section 2451 (a), and because of its authority to study, advise, and make recommendations with regard to policies for the fixing of purchase prices and the initiation and conduct of condemnation and other proceedings relating to the purchase of land and interests in property and related negotiations, pursuant to Administrative Code Section 2451 (g).

Recommendation

LAND COMMITTEE FOR ACTION.

It is recommended that the General Manager be authorized to pay \$779,166 to provide relocation assistance benefits for relocation of the Embly Ranch in a form approved by the General Counsel.


General Manager

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