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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Harvey E. Wolf*  
EXECUTIVE SECRETARY

February 28, 1994

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

From: Task Force to Review Office Space and Building Sites

Subject: Reconsideration of December 14, 1993 Board Action to Table Long-Term Headquarters Proposal Submitted by MS Management Services

Report

On November 5, 1993, MS Management Services submitted a proposal to Metropolitan to purchase a condominium interest in Metropolitan's interim leased headquarters facility at 350 South Grand Avenue (Two California Plaza). Metropolitan currently leases approximately 395,000 rsf (rentable square feet) of office space of the total 1,300,000 available rsf in Two California Plaza. Metropolitan has also leased 7,100 gsf (gross square feet) of ground floor space, which is currently undergoing construction of tenant improvements, to house the lunchroom and mailroom areas.

At the time the MS Management proposal was received, the "Task Force to Review Office Space and Building Sites" (Task Force) and staff, at the direction of the Board, were evaluating the long-term headquarters potential of four other sites: Union Station (Catellus Development Corporation), Times-Mirror Square, 1111 Sunset Boulevard and Arrow Highway in the City of La Verne.

On November 9, 1993, the full Board adopted a motion to receive and table the MS Management Services condominium proposal. As part of this same Board action, Times-Mirror Square was rejected outright, La Verne was designated a secondary option and the Task Force and staff were directed to focus their efforts on the continuing evaluation of the 1111 Sunset and the Union Station sites.

On December 14, 1993, the Board of Directors instructed staff to "enter into a period of negotiations with Catellus Development Corporation and all other parties, including those associated with the 1111 Sunset Boulevard (Scheme M) and the

350 South Grand Avenue sites, as may be necessary to achieve the least net project cost at Union Station, and to report back to the Board on or before April 12, 1994, the results of such negotiations."

Since the December 14, 1993 Board meeting, MS Management Services has indicated to staff and the Task Force that it would be willing to expand its earlier condominium proposal to include a variety of alternatives, including the sale of the entire 1,300,000 rsf within Two California Plaza to Metropolitan, at a price to be negotiated, but estimated to be below the construction cost of the building. Per a previously issued solicitation for development proposals (RFP No. 047, issued in March 1992), Metropolitan had identified its long-term headquarters space needs at a maximum of 600,000 rsf. Many of the specific advantages and disadvantages of such a real estate deal are unknown at this time, particularly those ramifications associated with leasing such a large amount of unneeded space.

In the interest of structuring the most prudent arrangement possible, the Task Force wants to ensure that a thorough analysis of cost, functionality, image and other relevant issues is performed. Accordingly, the Task Force voted on February 16, 1994 to recommend to the Board (and Executive Committee) that the alternatives proposed by MS Management Services be evaluated further by staff and consultants, on a comparative basis with the build-to-suit project proposed by Catellus Development Corporation for Union Station. Performance of this comparative analysis requires that the Board vote to remove from the table the MS Management Services proposal for further evaluation and consideration.

The actions proposed herein are categorically exempt from the California Environmental Quality Act.

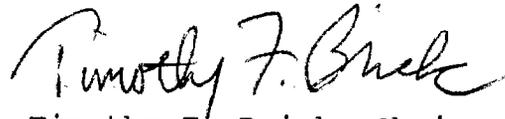
#### Board Committee Assignment

This letter is referred for action to the Executive Committee, as the Task Force to Review Office Space and Building Sites was formed at the specific direction of the Board Chairman and reports directly to the Chair.

Recommendation

**EXECUTIVE COMMITTEE FOR ACTION.**

It is recommended that the Board of Directors reconsider its action of November 9, 1993, and remove from the table the proposal submitted by MS Management Services, as subsequently amended, regarding 350 South Grand Avenue, Los Angeles (Two California Plaza) and, it is further recommended that the MS Management Services proposal alternatives be thoroughly evaluated on a comparative basis with the present build-to-suit long-term headquarters project proposed by Catellus Development Corporation at the Union Station site and that the results of such evaluation be reported to the Board on or before April 12, 1994.



Timothy F. Brick, Chairman  
Task Force to Review Office  
Space and Building Sites