

JUL 12 1994



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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Karen E. [Signature] 9-12
EXECUTIVE SECRETARY

June 27, 1994

To: Board of Directors (Land Committee--Information)
From: General Manager
Subject: Status of Non-Judicial Foreclosure of 14.7 Acres of Vacant
Surplus Land, LaVerne, California

Report

On May 24, 1988, Metropolitan sold a 14.67-acre portion of the former F. E. Weymouth Sludge Basin Surplus Parcel 1415-2-1, located at the intersection of San Dimas Canyon Road and Puddingstone Drive, LaVerne, to Rodine Development, Inc., a sole bidder, for the then appraised fair market value of \$600,000. The terms of the sale were \$120,000 (20 percent) down payment, \$480,000 balance at 12-3/4 percent amortized monthly, for a 10-year term, secured by a promissory note and trust deed, with an acceleration provision for payment of the entire loan balance upon any payment delinquency. At the time of sale, the underlying fee title in San Dimas Canyon Road which runs through the property was not granted to Rodine.

After the sale, Rodine proceeded to construct a private road through the property to provide required secondary road access for its adjacent 92-unit Park LaVerne single-family home subdivision. The alignment of this roadway did not follow the preexisting San Dimas Canyon Road right of way through the property. Because the location of the road right of way was shifted, on November 2, 1989 Metropolitan quitclaimed its underlying fee title in the old road to Rodine. The legal description of the property was not amended in the Note and Trust Deed to include this road strip. The City of LaVerne did not abandon its easement over the old road alignment at that time, because the newly constructed private roads were not fully completed to municipal standards.

Thereafter, Rodine granted easements over the new private roads to the adjoining Park LaVerne Homeowner's Association and to four nearby older residential properties which formerly relied on access through the old San Dimas Canyon Road.

On March 20, 1992, a Notice of Default of payment was recorded with an outstanding balance due on the note of \$412,611.95. A Notice of Pendency of Action to Foreclosure was recorded July 16, 1992 and a Trustee's Sale was scheduled for August 11, 1992.

On August 7, 1992, Rodine filed a Chapter 11 Bankruptcy action. The bankruptcy action stayed all further proceedings on the foreclosure. On January 14, 1994, the U.S. Bankruptcy Court dismissed the bankruptcy action.

On March 17, 1993, the property was appraised, by a well-qualified independent appraiser retained by Metropolitan, for \$756,000 assuming good title and all development approvals, construction financing, and a responsible builder was in place for build-out of the property. The pre-development conditions on which the \$756,000 appraised valuation was based have failed to materialize in the interim. On October 4, 1993, Rodine forwarded to Metropolitan a 60-day time limited offer to purchase the property from his own real estate broker for \$300,000. Additionally, Rodine listed the property for sale with the Hoffman Company Brokers, Newport Beach, for two months beginning April 4, 1993 for \$493,500 with no bidders at the asking price. The value of the property today has fallen to about \$400,000 according to Metropolitan's staff appraisers (assuming clear title).

Metropolitan's foreclosure demand for the balance owed, accrued interest, late penalties, and incidental costs was \$603,000 as of April 12, 1994. Based on the above offers and sale listings, the most probable sales price for the property today would be substantially less than Metropolitan's \$603,000 foreclosure demand. Therefore, there is a strong likelihood that there will be no bidders at the Trustee's Sale scheduled for October 11, 1994 and that ownership will revert to Metropolitan.

Metropolitan's staff has completed its due diligence for resumption of ownership and has found that the following problems may run with the property:

1. The easements over the newly built roads in favor of the adjoining homes will be automatically extinguished leaving the adjacent 92-unit tract without legal secondary access; and will leave four adjacent older homes without legal primary road access. This will affect the marketable title to all the adjacent homes upon the opening of any resale escrow.

2. James and Marcia Rodine (successors in title to Rodine Development, Inc.) will hold a fee title "spite-strip" underlying the Old San Dimas Canyon Road which may impact the property's marketable title and developability.

3. Although not the responsibility of Metropolitan, the new roadways are unfinished and require an asphaltic-concrete cap and undergrounding of an electrical pole line encroachment which supplies power to the entrance gate.

Due to the above problems, foreclosure of the loan upon the property may not be the most advantageous alternative to Metropolitan. In order to preempt the above problems prior to the foreclosure, Metropolitan is pursuing the following:

1. Pre-Negotiations with Homeowners and City. Initiate advance negotiations with the Park LaVerne Homeowner's Association and the City of LaVerne to agree to finish the needed road improvements with available security bond monies posted with the City (\$53,000). In return, Metropolitan will grant interim access rights, and ultimately will grant permanent easement rights, for use of the new road rights of way. Additionally, upon foreclosure, efforts will be made to assure that the Homeowner's Association will obtain liability insurance coverage and will indemnify Metropolitan for the private roadways on the property.

2. Pre-Foreclosure Work-Out with Rodine. Initiate simultaneous negotiations with Rodine to quitclaim back to Metropolitan its interest in the old roadway; and/or to transfer title to a new responsible third party buyer for the highest price obtainable in the market.

3. Negotiate Abandonment of Old Road with City. If a new third-party buyer cannot be found to substitute for Rodine, upon foreclosure, Metropolitan will facilitate the completion of the road improvements and removal of any encroachments by the Homeowners and the City. In return, the City will quitclaim or abandon its easement over the old roadway which now encumbers the property.

4. Contingent Disposition Plan. Should negotiations with Rodine to find a new buyer falter, Metropolitan will proceed to work with the Homeowners' Association and City to resolve any mutual problems and, upon foreclosure, may either: (a) expeditiously dispose of property with the remaining title and physical problems or (b) maintain property in its surplus property inventory.

A further alternative to working out the above problems would be for Metropolitan to pursue a judicial foreclosure which may remedy the lingering title defects and/or possibly obtain a deficiency judgment for any imputed losses.

However, pursuing a judicial foreclosure is believed to be less desirable due to the costs, time, and uncertainty of recovery.

Metropolitan's Operations and Engineering Divisions have re-determined that this portion of the District's LaVerne vacant land holdings are not suitable for any future operational needs due to its hillside topography, bisection by private roads, and severance from Metropolitan's remaining lands by a flood channel (see aerial photo attached).

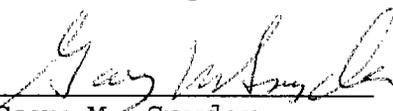
Board Committee Assignment

This letter is referred for information to the Land Committee 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 or interest in property and related negotiations, pursuant to Administrative Code Section 2451 (g).

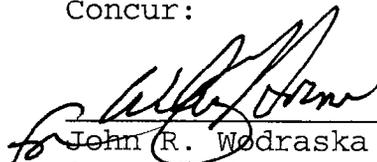
Recommendation

For information only.

John R. Wodraska
General Manager

by 
Gary M. Snyder
Chief Engineer

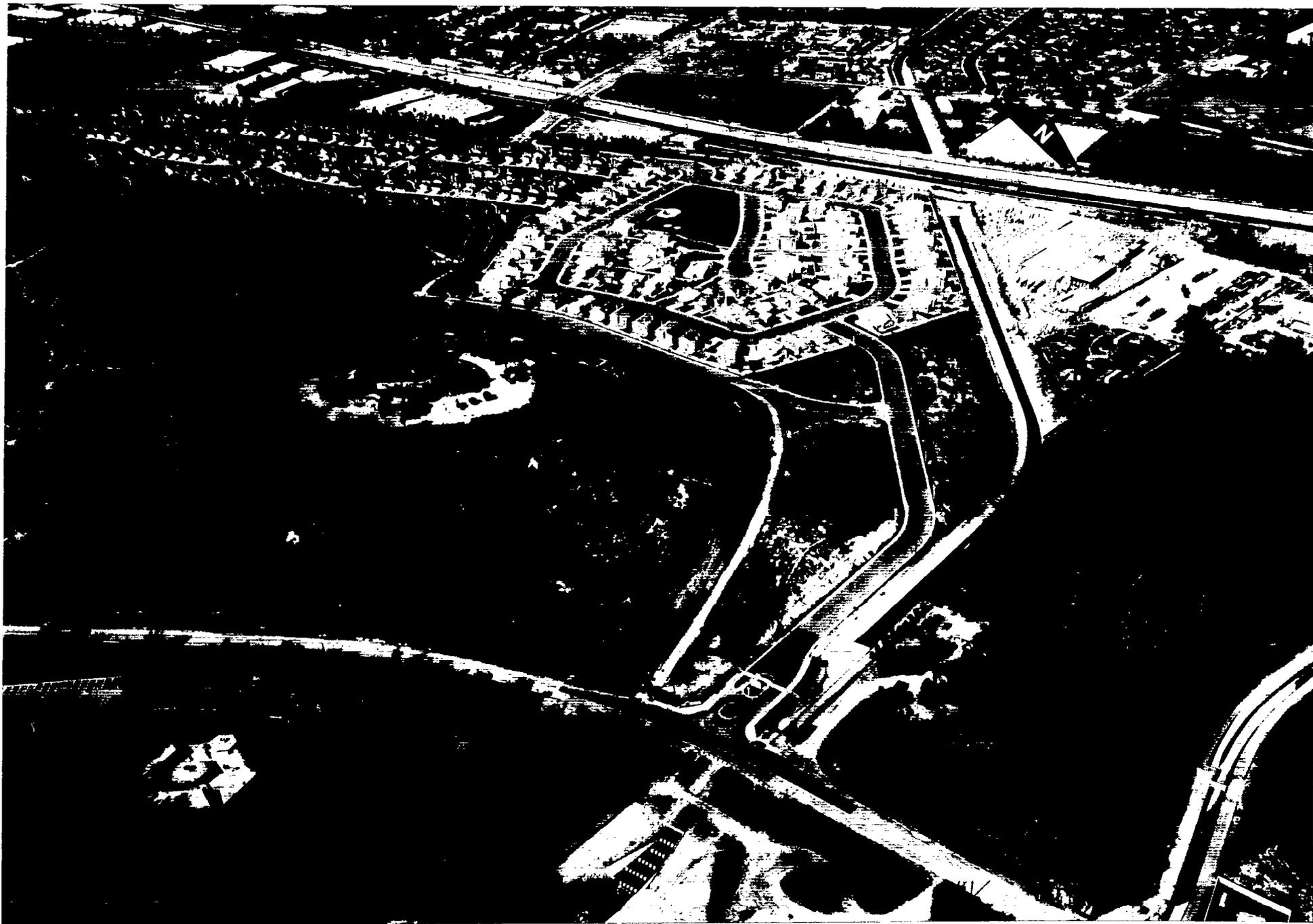
Concur:



John R. Wodraska
General Manager

Attachments

WCL/wbetb58



View northerly over subject property and adjoining Park La Verne development.
Date of Photo 2/1/93.