




**MWD**


METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-3

March 25, 1997

**To:** Board of Directors (Special Committee on Real Property Management--Action)  
(Legal and Claims Committee--Action)  
(Executive Committee--Action)

**From:** General Manager 

**Submitted by:** Gilbert F. Ivey  
Executive Assistant to General Manager 

**Subject:** Request for Authority to enter into leases to replace the leased facility at San Dimas.

**RECOMMENDATION(S)**

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It is recommended the General Manager be authorized to enter into leases to replace the San Dimas facility, in order to respond to employee complaints and Worker's Compensation claims resulting from deficiencies in the HVAC system and to allow legal staff to proceed with action to terminate the San Dimas lease.

**EXECUTIVE SUMMARY**

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Problems with the HVAC (air conditioning) system at Metropolitan's San Dimas Facility escalated in the summer of 1996 prompting employee complaints to the Employees' Association and Worker's Compensation claims. In response to these claims, Metropolitan conducted a comprehensive technical and legal investigation of the issue and demanded that the landlord take corrective action. The landlord's response did not rectify the situation and immediate action had to be taken to protect the health and welfare of Metropolitan's employees. The second floor employees were relocated to the Crossroads facility in the City of Industry. A replacement site has been secured for relocation of the first floor employees in Glendora. In order to proceed with the termination of the existing lease, it is necessary to enter into two replacement leases. The monthly cost of the two replacement leases is \$20,000 less than that of the San Dimas Facility.

**DETAILED REPORT**

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On January 12, 1991 the Board of Directors approved a lease with Majestic Realty Co. & Patrician Associates, Inc., both California corporations, (Majestic) for office space located at 620 West Covina Blvd. in San Dimas. The lease was subsequently amended and extended to include a total of 50,000 square feet of office space for a term ending on March 31, 2005. In June of 1996 ongoing problems with the HVAC system in this facility became more pronounced and were compounded by the summer temperatures. Employee complaints and Worker's Compensation claims resulted in an investigation of the HVAC system. The investigation disclosed design problems in the system which resulted in inadequate air flow within the facility and poor indoor air quality. Meetings between the landlord and Metropolitan's technical and legal staff, while prompting some action on the part of the landlord, did not remedy the underlying flaws in the system. The landlord's unwillingness to address the flaws in the system coupled with the employee complaints and claims necessitated an urgent search for replacement facilities to protect the health and welfare of the employees and to protect Metropolitan from potential liability.

On July 26, 1996 the landlord, through another legal entity, RR & C Development Co. (a California general partnership) & Patrician Associates, Inc. (a California corporation), leased 12,885 square feet of space to Metropolitan in the Crossroads facility in the City of Industry. This requested action will serve as ratification of that lease. The second floor employees who were the most affected by the HVAC problems were moved to this facility on August 23, 1996. At the termination of this four-year lease, the employees, who are with the Environmental Compliance Division, will be moving to the new headquarters building at Union Station.

The remaining San Dimas employees must still be relocated due to, among other reasons, the ongoing problems with the HVAC system and poor indoor air quality as well as to replace training space that was located on the untenable second floor at San Dimas. In addition to the training needs, the other requirements of the first floor employees were complex and required proximity to the La Verne facility. After an extensive search and consideration of several sites, a 24,000 square foot site has been located in Glendora which meets all requirements. The site is owned by Crow-Copley-Glendora #1, a California general partnership.

The cost of the San Dimas facility is \$78,000 per month including expenses. The cost of the Crossroads facility is \$25,000 per month including expenses for a four year term. The cost of the Glendora facility is projected to be \$33,000 per month, including expenses, for a five year term. Upon relocation of the first floor employees, Metropolitan's legal staff can proceed with action to terminate the current lease. The Crossroads facility and the Glendora facility together represent a savings of \$20,000 per month over the present lease arrangement.

The requested Board action to enter into new leases, in and of itself, will not cause a termination of the existing San Dimas lease. Staff is presently engaged in discussions with Majestic and its attorneys to reach a settlement of Metropolitan's claim against the landlord regarding the San Dimas lease. While staff hopes to reach such a settlement, Metropolitan has fully reserved all of its rights and remedies and staff is prepared to take all necessary and appropriate actions, including litigation.