

- **Board of Directors**
Asset, Real Estate and Infrastructure Policy Committee

January 11, 2005 Board Meeting

9-8

Subject

Authorize entering into a master lease agreement with the City of Pasadena for the Arroyo Seco property.

Description

At the Asset, Real Estate and Infrastructure Policy Committee meeting in December 2004, the committee received an update on the Arroyo Seco property in the City of Pasadena including ongoing lease negotiations with the city. The Arroyo Seco site is approximately 30 acres in size. The committee previously directed staff to conduct an independent appraisal of the property to facilitate board consideration of a surplus sale of the property as an alternative to the proposed lease. The Metropolitan Administrative Code provides that an independent appraiser shall prepare the appraisal when the estimated value of the property exceeds \$250,000, which is the case with the Arroyo Seco parcel. The fair market value of the fee simple interest in Metropolitan's Arroyo Seco property has been established as \$ 1,621,000 (see [Attachment 4](#)).

The proposed action is to authorize the Chief Executive Officer to enter into a master lease agreement, substantially as written (see [Attachment 5](#)), with the City of Pasadena to use the property for open space parkland, approved associated activities, and additional existing uses described in the proposed lease. The proposed lease term is 50 years beginning January 1, 2005. After 5 years, the lease can be terminated by Metropolitan or by the City of Pasadena with 180 days notice to the other party. The first year's rental fee payment of \$14,500 is due at commencement of the lease. Future rent is calculated using a formula that is factored in relation to the U.S. Consumer Price Index. The proposed master lease with the City of Pasadena meets Metropolitan's standard terms and conditions and conforms to criteria adopted by the Board. The proposed lease also provides an opportunity to defray Metropolitan's ownership costs including operations and maintenance (O&M).

The Arroyo Seco property is located east of Oak Grove Drive and Foothill Boulevard in the City of Pasadena, California. This property is Metropolitan's Foothill Feeder right-of-way Parcel No. MWD 1602-1-1 (see [Attachment 1](#) and [Attachment 2](#)). This property is also designated by the Los Angeles County Assessor as APN 5823-003-911. The Pasadena Jet Propulsion Laboratory (JPL) is located immediately north of the site, Pasadena's Hahamongna Watershed Park is south of the site, Devil's Gate Dam and Reservoir are to the east, and the Flintridge Riding Club and the La Canada High School adjoin to the west. Currently there are multiple encumbrances on this land, including: Los Angeles County's Fire Mobilization Camp (6.0 acres), the Rose Bowl Riders with equestrian use (12.08 acres), and the U.S. Forest Services' abandoned fire camp facilities (6.87 acres). There are multiple easements encumbering the land, including: flood plain easement to Los Angeles County (7.6 acres approx.), road easement to JPL (0.70 acre), and the City of Pasadena access easement over existing roads (1 acre). The property is currently zoned open space. The site was originally acquired in 1970 from the City of Pasadena at the price of \$430,000. The site was purchased for future construction of a water treatment plant as part of the Foothill Feeder system. The treatment plant was to operate with a downstream reservoir in Pasadena. These facilities currently are not required or necessary in the foreseeable future. In 2001, the City of

Pasadena requested a Master Lease over the entire site; and in 2002, Foothill Municipal Water District expressed interest in a portion of the site for a future water tank location. In 2001, JPL requested an easement for a guard kiosk and traffic turnaround. (See Detailed Report in [Attachment 3](#)). The City of Pasadena, under the master lease, will provide maintenance and security of the site and allocate space and accommodation for reservoir (water tank) improvements for the Foothill Municipal Water District. Metropolitan will continue as the fee-owner of the Arroyo Seco property during the term of the proposed master lease with the City of Pasadena.

The Chief Executive Officer has determined that the Arroyo Seco parcel is not required to manage the current needs of Metropolitan for at least the next five years, but could be surplus if the Board determines to sell rather than lease this property.

Policy

Metropolitan Water District Administrative Code Section 8231: Appraisals of Real Property Interests

Metropolitan Water District Administrative Code Article 4, Section 8240: Disposal of Real Property, Preliminary Requirements

Metropolitan Water District Administrative Code Section 140, Division 8, Article 3, Section 8230: Management of Real Property

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action to issue a master lease to the City of Pasadena is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. In particular, the proposed action consists of leasing, licensing, maintenance, and operating of existing facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination. Furthermore, it will not have a significant effect on the environment. Accordingly, execution of a master lease qualifies as a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies for a Class 1, Categorical Exemption (Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed actions in question may have a significant effect on the environment, the proposed actions are not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize the Chief Executive Officer to enter into a master lease agreement with the City of Pasadena for the Arroyo Seco property in accordance with Metropolitan's current leasing policies.

Fiscal Impact: Continuing administrative costs, proceeds from rent paid by City of Pasadena as provided in the lease agreement.

Option #2

Adopt the CEQA determination and

- a. Do not enter into the master lease with the City of Pasadena;
- b. Determine that the Arroyo Seco property is surplus; and
- c. Direct that staff prepare a disposition plan for the property for board review and future consideration.

Fiscal Impact: None

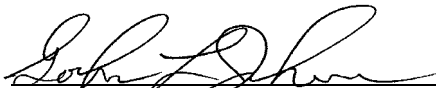
Option #3

- a. Do not enter into the master lease with the City of Pasadena;
- b. Do not surplus the subject property;
- c. Continue fee ownership of the Arroyo Seco property by Metropolitan, resulting in keeping the land in its current "as is" condition; and
- d. Direct staff to return to the Board with a management plan for the property for board review and future consideration.

Fiscal Impact: None


Staff Recommendation

Option #1



12/27/2004
Date

Gordon L. Johnson
for Roy L. Wolfe
Manager, Corporate Resources



12/27/2004
Date

Ronald R. Gastelum
Chief Executive Officer

- Attachment 1 – Location Map**
- Attachment 2 – Arroyo Seco Parcel Exhibit**
- Attachment 3 – Detailed Report**
- Attachment 4 – Summary Appraisal Report**
- Attachment 5 – Master Lease Agreement**



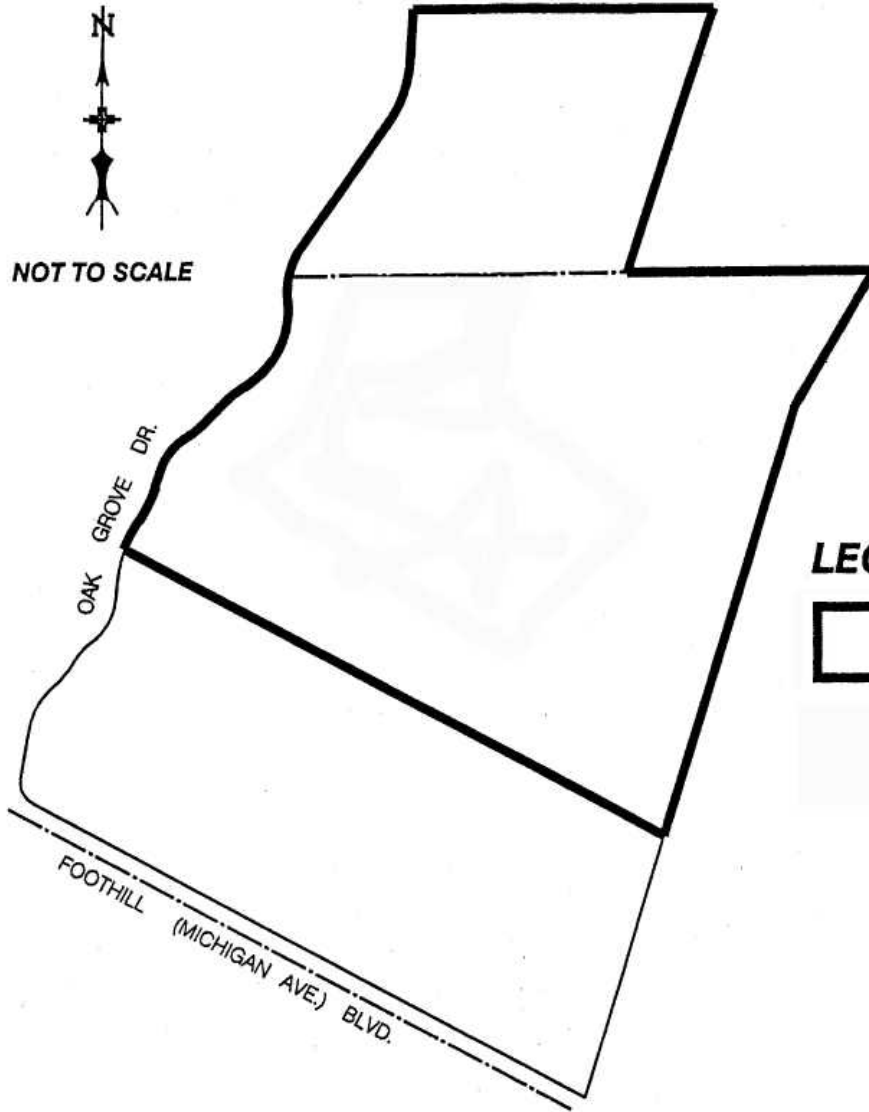
EXHIBIT B

PAGE 1 OF 1

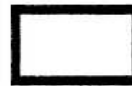
A PORTION OF LOT 1 OF THE RANCHO LA CANADA
IN THE CITY OF PASADENA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA
THIS EXHIBIT IS TO BE ATTACHED TO THE LEGAL DESCRIPTION



NOT TO SCALE

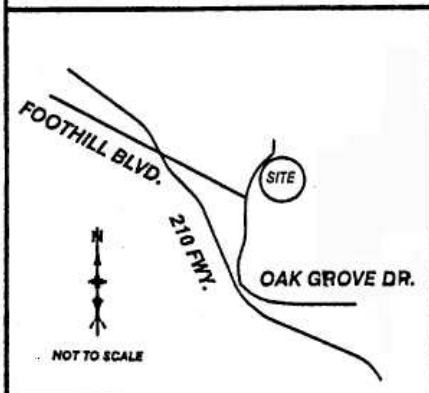


LEGEND



MWD FEE PROPERTY
1602-1-1
D4786/725 O.R. REC. 07/30/1970

VICINITY MAP



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

ARROYO SECO

MWD
1602-1-1(PORTION)

Detailed Report

The Metropolitan Water District of Southern California (Metropolitan) originally acquired the Arroyo Seco site in 1970 from the city of Pasadena at the price of \$430,000. The site was purchased for future construction of a water treatment plant as part of the Foothill Feeder system. The treatment plant was to operate with a downstream reservoir in Pasadena. These facilities are not required in the foreseeable future. Staff has designated the Arroyo Seco parcel excess to Metropolitan's current operational needs. The Arroyo Seco property is located east of Oak Grove Drive and Foothill Boulevard in the city of Pasadena, California. The Pasadena Jet Propulsion Laboratory (JPL) is located immediately north of the site. Pasadena's Hahmongna Park is south of the site, Devil's Gate Dam and Reservoir are to the east, and the Flintridge Riding Club and La Canada High School adjoin to the west. Currently there are multiple encumbrances on this land, including: Los Angeles County's Fire Mobilization Camp (6.0 acres), the Rose Bowl Riders with equestrian use (12.08 acres), and the U.S. Forest Services' abandoned fire camp facilities (6.87 acres). The property is currently zoned open space. There are multiple easements encumbering the land, including: the flood plain easement to Los Angeles County (7.6 acres approx.), the road easement to JPL (0.70 acre), and the city of Pasadena access easement over existing roads (1 acre). In 2001, the city of Pasadena requested a Master Lease over the entire site; and in 2002, Foothill Municipal Water District expressed interest in a portion of the site for a future reservoir (water tank) location. In 2001, JPL requested an easement for a guard kiosk and traffic turnaround.

The proposed lease term is 50-years beginning January 1, 2005. After 5 years, the lease can be terminated by Metropolitan or by the city of Pasadena with 180 days notice to the other party. The first rental fee payment of \$14,500 is due at commencement of the lease. Future rent is calculated using a formula that is factored in relation to the U.S. Consumer Price Index.

The Chief Executive Officer has determined, and the Corporate Resources, Water Resources, and Water System Operations Groups have affirmed, that this parcel is ~~excess~~ surplus to the current needs of Metropolitan and can be leased to the city of Pasadena without adversely affecting Metropolitan's foreseeable operational requirements. The fair market value of the fee simple interest in Metropolitan's Arroyo Seco property has been established as \$ 1,621,000 (see Attachment 4). The fair market value of the lease fee interest in Metropolitan's Arroyo Seco property has been established as \$ 1,236,000 (see Attachment 4). The lease fee interest includes consideration of the existing encumbrances associated with the property.

Section 140 of the Metropolitan Water District Act confers broad authority on Metropolitan to acquire, manage, and dispose of real property: "A district . . . may hold, enjoy, lease, sell or otherwise dispose of, any and all real and personal property of any kind within or without the district and within and without the state necessary or convenient to the full exercise of its powers."

~~Through Pursuant to~~ Metropolitan's Administrative Code, the Board has delegated to the CEO, with limitations, authority to exercise the statutory authority granted by Section 140. Division 8, Article 3 of the MWD Administrative Code sets forth the requirements related to management of real property. Specifically, section 8230 provides: "The Chief Executive Officer is authorized to grant to public entities, public utilities, private persons and private entities, any real property interests in District real property that will not interfere with the District's operations; provided, however, that: (1) any such grant to a public entity or public utility is required for its operations; (2) the consideration for any one such grant (annual payment in the case of any lease, license or permit) to a private person or private entity is less than \$250,000; and (3) if it will be necessary for District facilities to be relocated or protected in order to avoid interference from the use of the real property interest, the Chief Executive Officer shall obtain approval of a relocation or protection agreement by the Board prior to granting such real property interest, except as to any agreement which the Chief Executive Officer is authorized to execute pursuant to Section 8118(a)(3)." This section authorizes the CEO to grant various real property interests, including leases. It also distinguishes between leases to public entities or public utilities and leases to individuals

or private entities. For public entities and utilities the CEO is required only to make a determination that the real property interest is required for ~~its~~ the public entity or utility's operations. For an individual or other private entity the CEO's authority is limited to grants where the consideration to be received by Metropolitan is less than \$250,000 per year.

Finally, Administrative Code section 8232 sets forth certain minimum requirements that grants of real property interests must contain. For example, except for leases to public entities or public utilities for telecommunication purposes, documents conveying any real property interest must be made subject to cancellation with no more than one year notice except where the CEO determines that the uses are compatible with Metropolitan's current and long-term requirements. Additionally, any lease, permit, or license to use Metropolitan property must contain insurance and indemnification, defense, and hold harmless provisions protecting Metropolitan against liability arising from use of the property.

The proposed master lease, with the city of Pasadena, meets Metropolitan's standard terms and conditions and conforms to criteria adopted by the Board. This lease provides an opportunity to defray some of Metropolitan's ownership cost, including operations and maintenance (O&M) costs.

APPRAISAL REPORT

**Metropolitan Water District
Arroyo Seco Property**

**MWD Parcel 1602-1-1
Pasadena, California**

Prepared for

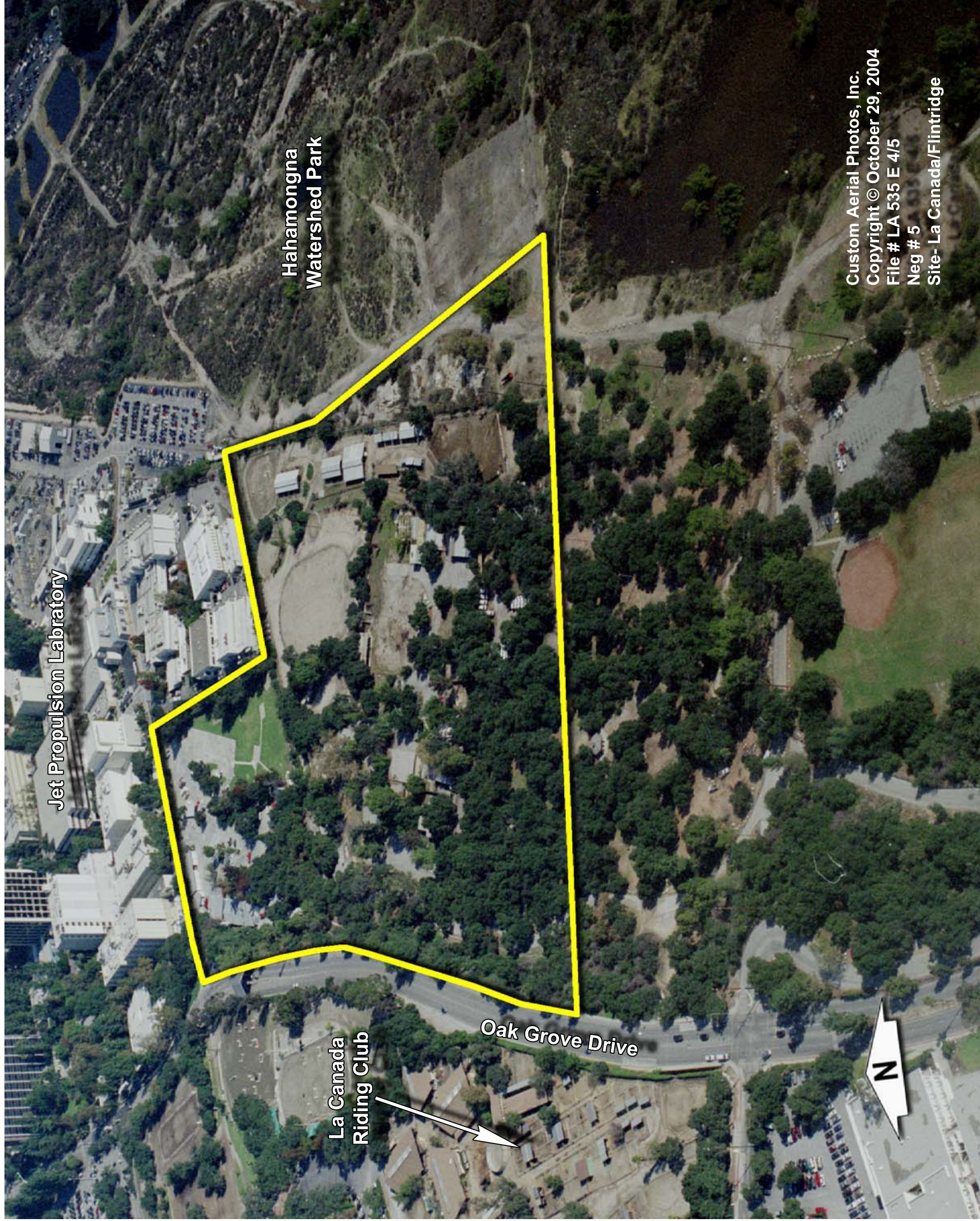
Harley A. Searcy, Esq.
Deputy General Counsel
Metropolitan Water District of Southern California
700 N. Alameda Street, 11th Floor
Los Angeles, California 90012-2944

Prepared by

Mason & Mason
Real Estate Appraisers & Consultants
2609 Honolulu Avenue, Suite 100
Montrose, California 91020

Date of Value

December 16, 2004



Jet Propulsion Laboratory

Hahamongna Watershed Park

La Canada Riding Club

Oak Grove Drive



Custom Aerial Photos, Inc.
 Copyright © October 29, 2004
 File # LA 535 E 4/5
 Neg # 5
 Site- La Canada/Flintridge

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ADDENDA

Subject Photographs

Title Report

Arroyo Seco Property Appraisal Map 1602-1-1

Exhibit B - Rose Bowl Riders Association Lease

Hahmongna Master Plan Map

Site Plans - Subject Improvements

Appraisal Qualifications

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Aerial Photograph following title page
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Neighborhood Map facing 14
Hahmongna Watershed Park Master Plan facing 15
Plat Map facing 16
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DRAFT

MASON & MASON
Real Estate Appraisers & Consultants
2609 Honolulu Avenue, Suite 100
Montrose, California 91020-1706
Telephone (818) 957-1881
Fax (818) 957-1891
e-mail: hmcwatters@mason2.com

Frances Wolfe Mason, MAI
David S. Mason, MAI
Lisa M. Benson, MAI
Vincent G. Maher, MAI
Harry A. McWatters, MAI
Kate C. McWatters, MAI SRA
Kim Pasquariello, SR/WA
Bradford D. Thompson, MAI
Victoria L. Valentine, RM
Robert W. Waters, MAI SR/WA

December 16 2004

No. 12304

Harley A. Searcy, Esq.
Deputy General Counsel
Metropolitan Water District of Southern California
700 N. Alameda Street, 11th Floor
Los Angeles, California 90012-2944

Re: Metropolitan Water District Arroyo Seco Property
MWD Parcel 1602-1-1
APN 5823-003-911
Pasadena, California

Dear Mr. Searcy:

In response to your request, we have personally inspected and appraised the above-referenced property for the purpose of expressing our opinion of the fair market values of the subject's fee simple and leased fee estates. The date of value is December 16 2004. Six copies of this narrative appraisal report are submitted.

The following report has been written in compliance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). It is a Summary Appraisal Report - Complete. As such, it contains summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop our opinions of value. Supporting documentation is retained in our file.

The appraisal analysis presented in the report has also been made with consideration given to the terms and conditions of the "Scope of Work - Appraisal Instructions and Guiding Assumptions" document provided to us by the client at the start of the assignment. However, these instructions have not taken precedence over appropriate appraisal requirements formulated in USPAP.

The attached report identifies and describes the real property appraised, as well as all assumptions and limiting conditions upon which the estimates of value are premised. Based upon the factual data

Harley A. Searcy, Esq.
Metropolitan Water District
December 16 2004

analyzed herein, we have determined that the fair market value of the fee simple interest in the subject property as though vacant, as of December 16 2004, is:

ONE MILLION SIX HUNDRED TWENTY ONE THOUSAND DOLLARS
(\$1,621,000)

As requested, we have also conducted an analysis of the leased fee interest in the subject property as of the date of value. This analysis is predicated on the terms and conditions of one of the two ground leases that currently encumber the property. Based on that analysis, we have concluded that the fair market value of the leased fee interest in the subject property, as of December 16, 2004, is:

ONE MILLION TWO HUNDRED THIRTY SIX THOUSAND DOLLARS
(\$1,236,000)

This transmittal letter must remain attached to the appraisal report, which contains 29 pages plus related exhibits, in order for the value opinion set forth to be considered valid. We are not responsible for unauthorized use of this report.

Respectfully submitted,
MASON & MASON

Harry A. McWatters, MAI
State of California Certificate No. AG001914

Frances Wolfe Mason, MAI
State of California Certificate No. AG001649
Review Only - No Physical Inspections

FWM/HAM:mm

SUMMARY OF SALIENT FACTS

- Property Appraised:** MWD Parcel 1602-1-1, consisting of 29.481 ± acres, located on the east side of Oak Grove Drive, north of the easterly terminus of Foothill Boulevard; property is immediately adjacent to the city of Pasadena's Hahmongna Watershed Park.
- Legal Description:** Set forth in the title report; a copy is in the Addenda.
- Owner of Record:** The Metropolitan Water District of Southern California
- Assessor's Parcel Nos.:** 5823-003-911
- Date of Value:** December 16, 2004
- Purpose of the Appraisal:** To estimate fair market value.
- Function of the Appraisal:** Negotiation purposes
- Zoning:** OS, the city of Pasadena's open space classification; the city's general plan designates the site for open space uses as well.
- Highest & Best Use:** Uses consistent with the property's zoning and general plan classifications.
- Site Description:** An irregularly-shaped parcel, containing 29.481 ± acres; most of the site is essentially level, with undulating topography; a small portion is a steep slope leading up to Oak Grove Drive; the site slopes down to the south-southeast.
- Improvement Description:** There are a number of improvements on the site; these are the personal property of the tenants that occupy (or have occupied) portions of the site through ground leases; the improvements are described in detail in the body of the report; we have concluded that these improvements do not contribute to the current fair market value of the property on either a fee simple or leased fee basis.

Value Indications, Site as if Vacant:

Fee Simple Interest:	\$1,621,000
Leased Fee Interest:	\$1,236,000

STATEMENT OF LIMITING CONDITIONS

The following statements, assumptions, and considerations are offered as a basis for this particular appraisal report.

- **Responsible ownership and competent property management** are assumed unless otherwise stated in this report.
- **Factual information** presented in this report has been furnished by or obtained from sources which are considered reliable. While the data is believed to be correct, it cannot be guaranteed.
- It is assumed that the **legal description and title** are good and that the subject ownership is free and clear of all encumbrances except as may be detailed herein.
- A **land survey** was not made by the appraisers; while the dimensions and areas shown and/or referred to herein are assumed to be correct, property boundaries and locations of any improvements as indicated on exhibits in this report are not to be construed as being based upon a survey for which the appraisers are responsible. Where land dimensions or areas were shown on prepared maps, they were used. Where areas or dimensions were not shown, they were scaled from the prepared maps and are subject to scaling error.
- The **Americans With Disabilities Act of 1990 (“ADA”)** became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
- The **data of value** for this appraisal is December 16, 2004.
- The appraisers assume no responsibility for **hidden or unapparent conditions** of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.
- Since there are structures on the property that may have been constructed more than 40 years ago, there is the possibility of **hazardous or toxic materials** could be present in them or are located on or under the property in view of its present and prior uses. The appraisers, however,

are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. Our value estimates assume there are no materials on or in the property that would cause a loss in value. No responsibility is assumed for such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental assessment, if a determination of this possibility is desired or necessary.

- This report is made for the **exclusive use of the client** indicated as the addressee on the letter of transmittal.
- It is assumed that the property is in **full compliance** with all applicable federal, state, and local laws including environmental regulations and earthquake requirements, unless noncompliance is stated, defined, and considered in the appraisal report.
- It is assumed that all applicable **zoning and use regulations and restrictions** have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
- It is assumed that the utilization of the land and improvements is **within the boundaries** or property lines of the property described and that there is no encroachment or trespass unless noted in the appraisal report.
- The property is appraised assuming that all **required licenses**, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government of private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.
- The **value premises** cited are foundational and basic to the values reported herein and the right is reserved to revise and/or rescind the appraisal opinions in the event the conditions are modified to any extent.
- **Testimony** or attendance in Court is not required by reason of this appraisal with reference to the property in question without a prior arrangement as to compensation and scheduling.
- **Indemnification** - The appraisers are not necessary parties in any inquiry or judicial proceedings. They will not be called upon to testify in any litigation or other proceeding arising out of their duties in this matter. If they are compelled to incur court costs, attorneys' fees or other out-of-pocket expenses in connection with court proceedings, such costs or expenses together with appraisers' usual hourly per diem applicable for their professional services for study, preparation, testimony or travel will be paid by the party (or parties) who acts to bring any suit requiring a judicial proceeding.

- No **reproduction** of this report or any portion thereof, is permitted without the expressed written consent of the appraisers. Possession of this report does not carry the right of publication.
- No one other than the **appraisers signing** this report have prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal.
- This report in its entirety is **Copyright 2004** by Mason & Mason, a California Corporation. All rights of reproduction are prohibited unless permission is granted in writing. Electronic PDF's of this report are only valid if produced in their entirety.

SPECIAL LIMITING CONDITIONS

- Most of the subject property is zoned OS (open space), according to the city's zoning map; the general plan classification for the entire property is also open space. A small portion of the property (approximately two acres) is zoned PD-16 (planned development) per the map. As is discussed in greater detail later in this report, we have assumed that the subject's entitlements for future development and use are limited to those conferred by its open space zoning and general plan classifications. We have also assumed that the PD-16 zoning classification is no longer in effect and the entire property is zoned OS. Our value conclusions reflect these assumptions, since we have also concluded that a change in the property's zoning is not likely.
- There are numerous improvements located on the property. According to the ground leases now in effect, all improvements are the personal property of the lessees and are to be removed at the termination of the various leases at the lessees' expense. The improvements located on the area leased to Los Angeles County are relatively substantial and in good condition; they could have some contributory value. The improvements located on the area leased to the U.S. Government are boarded up and have minimal, if any, potential value. The same is true of the improvements located on the area leased to the Rose Bowl Riders Association. This appraisal assumes all improvements will be removed or demolished at their owners' expense and at no cost to the property owner. It further assumes that any adverse environmental conditions related to the improvements (see below) will be the responsibility of the lessees and that the lessees will indemnify the lessor for such conditions. The value conclusions contained herein reflect the value of the land only.
- According to the assessment map for the property, the gross surface area of the parcel is 30.24 ± acres; see the plat map later in this report for this figure. We have been provided with a map prepared by the client entitled "Arroyo Seco Property Appraisal Map 1602-1-1," dated October

27, 2004; a copy is included in the Addenda. This map states that the property's gross area is 29.481 acres. Since it is the more current of the two, its gross acreage figure has been used in this analysis.

- According to the assessment map, 18.13 acres or 60% of the site is encumbered by a Los Angeles County flood control easement. The use of this land, which is regulated by city zoning, must also be approved by the Los Angeles County Flood Control District. All development plans are handled on a case-by-case basis by the county and must not impede the flood control plan or extend the liability of the county. It is assumed that the types of development permitted by the existing zoning would be permitted in the areas covered by this easement. This assumption has been true in the past. We reserve the right to revise the conclusions in this report if it is no longer true in the future.

- A recent Phase I environmental site assessment (ESA) was completed for that portion of the property leased to the U.S. Government. Information in the ESA indicates that there may be environmental conditions on that portion of the property that merit further study. However, the report states that "(n)o Recognized Environmental Conditions were identified." We assume this statement means that the area evaluated is not currently affected by adverse environmental conditions that would affect its marketability or value. We have not been provided with other studies regarding the rest of the site. Nevertheless, in line with the standard assumption listed above regarding adverse environmental conditions, we have assumed that no part of the property is affected by such conditions. We reserve the right to revise the value conclusions herein if further information is provided or discovered that renders this assumption invalid.

- We have been provided a preliminary title report, prepared by Chicago Title, dated September 1, 2004, and identified as Order No. 41017732-X77. We have reviewed the report and have noted the exceptions and exclusions to title. This appraisal assumes that the subject property is free and clear of all encumbrances to title with the exception of those mentioned in this report. The client is urged to seek legal advice for a full understanding of each exception and exclusion to title, prior to negotiations.

CERTIFICATION OF APPRAISERS

We certify that, to the best of our knowledge and belief;

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We further certify that we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- We have made a personal inspection of the property that is the subject of this report. The property was physically inspected by Harry A. McWatters, MAI on November 5 and 17, 2004. The date of value is December 16, 2004.
- As of the date of this report, Harry A. McWatters, MAI & Frances Wolfe Mason, MAI, have completed the requirements of the continuing education program of the Appraisal Institute and have fulfilled the requirements of the State of California Office of Real Estate Appraisers for General Certification.
- No one has provided significant real property appraisal assistance to the persons signing this certification.

Harry A. McWatters, MAI
California Certificate No. AG001914

Frances Wolfe Mason, MAI
California Certificate No. AG001649
Review Only - No Physical Inspection

INTRODUCTION

Property Identification

The subject property is owned by the Metropolitan Water District of Southern California (MWD). It consists of an irregular parcel of land lying in the upper Arroyo Seco (a major tributary to the Los Angeles River) and contains a gross area of 29.481 acres. The site is located along the east side of Oak Grove Drive, beginning approximately 534 feet north of the easterly terminus of Foothill Boulevard, in Pasadena, Los Angeles County, California. The property is identified as Assessor's Parcel No. 5823-003-911. The client identifies the property as MWD Parcel 1602-1-1.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the fair market value of the subject property as of the appraisal date. The definition of "**Fair Market Value**" used in this report is:

“(a) The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

“(b) The fair market value of property for which there is no relevant market is its value on the date of valuation as determined by any method that is just and equitable.”¹

Intended Use of the Report

This appraisal is intended to assist the client, the MWD, in documenting the value of this real estate asset for use in lease negotiations.

Property Rights Appraised

The property rights valued are the *fee simple estate* and the *leased fee estate*. A fee simple estate is defined as: “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”²

^{1/} Code Civ. Proc., § 1263.320

^{2/} *The Dictionary of Real Estate Appraisal*, Fourth Edition 2002, Appraisal Institute, Page 113

A leased fee estate is defined as: "An ownership interest held by a landlord with the rights of use and occupancy conveyed to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."³

Scope of the Assignment

In preparing this appraisal the appraisers performed the following:

- Inspected the property and the surrounding environs;
- Researched the social, economic and governmental influences that affect the property;
- Interviewed city of Pasadena planning officials regarding the city's general plan and zoning for the subject, in order to consider allowable uses;
- Conducted market data research and analysis of land sales;
- Physically inspected and analyzed the market data to compare with the subject property;
- Reconciled the value indications to form an opinion of market value as of the date of value; and
- Analyzed one of the existing ground leases that encumber the property to determine its effect on value.

To develop our opinions of value, we performed a complete appraisal process as defined by USPAP. No departures from Standard I were invoked.

Date of Value

December 16, 2004; the property was inspected on November 5, 2004 and again on November 17, 2004.

Property History

A history of the subject property was provided by the client and is set forth below; additional information from other sources augment the information provided by the MWD:

- The city of Pasadena acquired the subject property in March 1923 from the Lanterman Estate and Pacific Southwest Trust and Savings Bank.
- The city leased a portion of the subject to Los Angeles County for a fire suppression and mobilization camp in 1954 for 50 years. This lease was renewed in 2004 for an additional 50 years.

^{3/} *The Dictionary of Real Estate Appraisal*, Fourth Edition 2002, Appraisal Institute, Page 161

- The city leased a portion of the property to the United States Department of Agriculture (Forest Service) in 1954 for a term of 50 years. The lease terminated in mid-2004 but remains in effect on a month-to-month basis. The leased area had previously been a Civilian Conservation Corps camp, probably established in the 1930s.
- The Los Angeles County Flood Control District acquired an easement over 18.13 acres of the subject property by an easement deed dated March 1, 1965 for reservoir, water conservation and flood control needs.
- The city leased a portion of the subject property to the county of Los Angeles in 1968 for a term of 25 years, to be part of Oak Grove Park. The lease terminated in 1993. The city subsequently acquired Oak Grove Park from the county.
- The city sold the subject property to the MWD in July 1970; the purchase price was \$430,000. The MWD acquired the property to be part of its Foothill Feeder project and for the location of a water plant. The MWD subsequently decided not to go forward with these plans. In 2002, the Foothill Municipal Water District expressed interest in acquiring three or four acres for the future location of an above-ground reservoir.

Subject Ground Leases

The subject property is leased to the L.A. County Fire Department, the U.S. Government (Department of Agriculture), and the Rose Bowl Riders Association. All of the leases are intended to be absolutely triple net, with the lessees responsible for all property-related expenses. Following are summaries of the leases in effect at the date of value:

Los Angeles County Fire Camp 2:

Leased Area:	7.0 acres (per Appraisal Map 1602-1-1), including 0.7 acres of easements conveyed to others .
Lease Start Date:	July 1, 2004
Lease End Date:	June 30, 2054
Annual Rental Rate:	\$0; rent waived “in lieu of the mutual benefits derived by both parties from the issuance of this Lease.”
Use:	Fire suppression and mobilization camp, including fire equipment maintenance and helipad.
Improvements:	All improvements are the personal property of the tenant; lessee is responsible for their removal at the end of the lease.
Taxes:	Not applicable; the property is not taxed and the lessee is not subject to possessory interest taxes because it is a governmental agency.

U.S.. Forest Service:

Leased Area:	6.8 acres (per Appraisal Map 1602-1-1)
Lease Start Date:	August 16, 1954
Lease End Date:	June 30, 2004; the term has been extended on a month-to-month basis until the lessee can comply with terms of the lease regarding the removal of improvements.
Annual Rental Rate:	\$0
Use:	Development and maintenance of a Forest Service headquarters plant.
Improvements:	Lessee responsible for the disposal of improvements at the termination of the lease in a way acceptable to both parties. Structures at the commencement of the lease included Angeles Crest CCC Camp Building Nos. 7, 8, 9, 15, 19, 20, 22, truck sheds and a grease rack. Lessee to remove all buildings erected during the term of the lease.
Taxes:	Not applicable; the property is not taxed and the lessee is not subject to possessory interest taxes because it is a governmental agency.

Rose Bowl Riders:

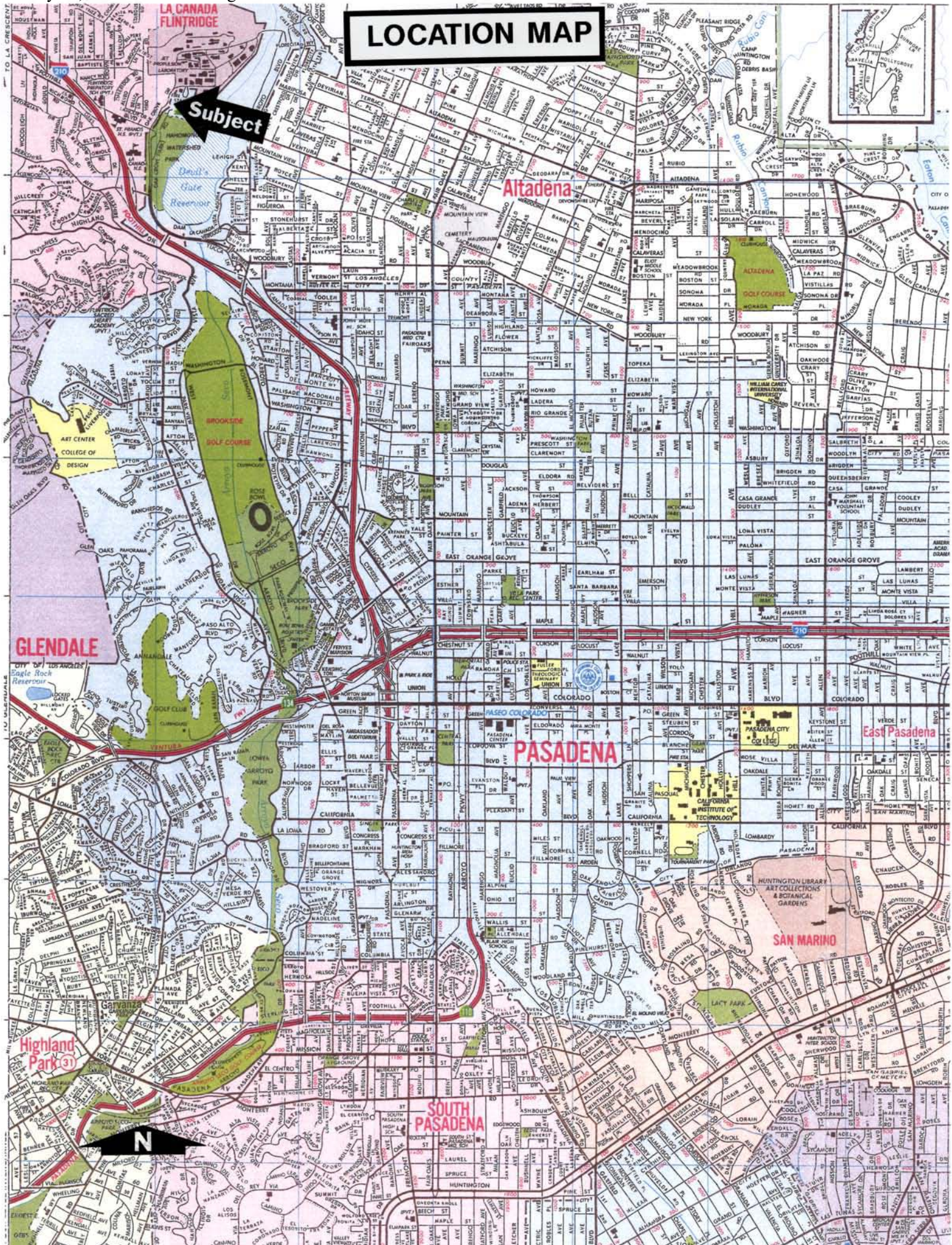
Leased Area:	15.607 acres (per Exhibit B of lease ⁴)
Lease Start Date:	November 1, 2003
Lease End Date:	October 31, 2004
Annual Rental Rate:	\$14,500; biannual payments.
Use:	Horse shows, horse corrals, stable area, riding ring and related equestrian purposes.
Improvements:	All improvements placed on the property by the tenant must be removed by the last day of the lease at tenant's expense.
Taxes:	Tenant is responsible for payment of possessory interest tax.

The Rose Bowl Riders lease was originally negotiated in 1970; the information above relates to the eighth amendment to the lease. Per Section 3 of the amendment, the term of the lease "shall renew automatically for consecutive one-year terms unless Lessor informs Lessee of its intent to terminate said Lease in writing 90-days in advance of expiration of each consecutive one-year term." There is no comment in the lease regarding changes in rent at each automatic renewal; we have assumed the rent will remain unchanged. The lessee sublets a portion of its premises to a day care operator called Tom Sawyer's Camp; we have not been provided with information about this sub-lease and have not considered it in our valuation analyses.

^{4/} Copy included in the Addenda.

LOCATION MAP

Subject



LOCATION DESCRIPTION

General Location

The subject property is located in the northwesterly portion of the city of Pasadena; the city of La Cañada Flintridge is immediately west. The property is a part of the upper Arroyo Seco; the entire Arroyo Seco is a major regional drainage course emptying into the L.A. River. The upper Arroyo Seco contains approximately 1,300 acres and extends from the San Gabriel Mountains in the north a distance of about four miles south to the Foothill Freeway (I-210) one-quarter mile south of the subject. Included in this area is the Hahmongna⁵ Watershed Park (approximately 300 acres), immediately south of the subject site. The area east of the subject is undeveloped wash; Devil's Gate Dam just southeast creates a catch-basin for flood waters coming from the mountains through the wash area.

Pasadena, incorporated in 1886, is the second oldest city in Los Angeles County; it is currently the fifth largest city in the county. Pasadena is located in the western section of the San Gabriel Valley and contains about 23.2 square miles; it is bounded on the north by the unincorporated community of Altadena, on the east by the city of Arcadia, on the south by the cities of South Pasadena and San Marino, and on the west by the cities of Los Angeles and Glendale. The city is accessible from all areas of Southern California by three freeways and several major highways. The new Gold Line light rail system provides direct access to downtown Los Angeles.

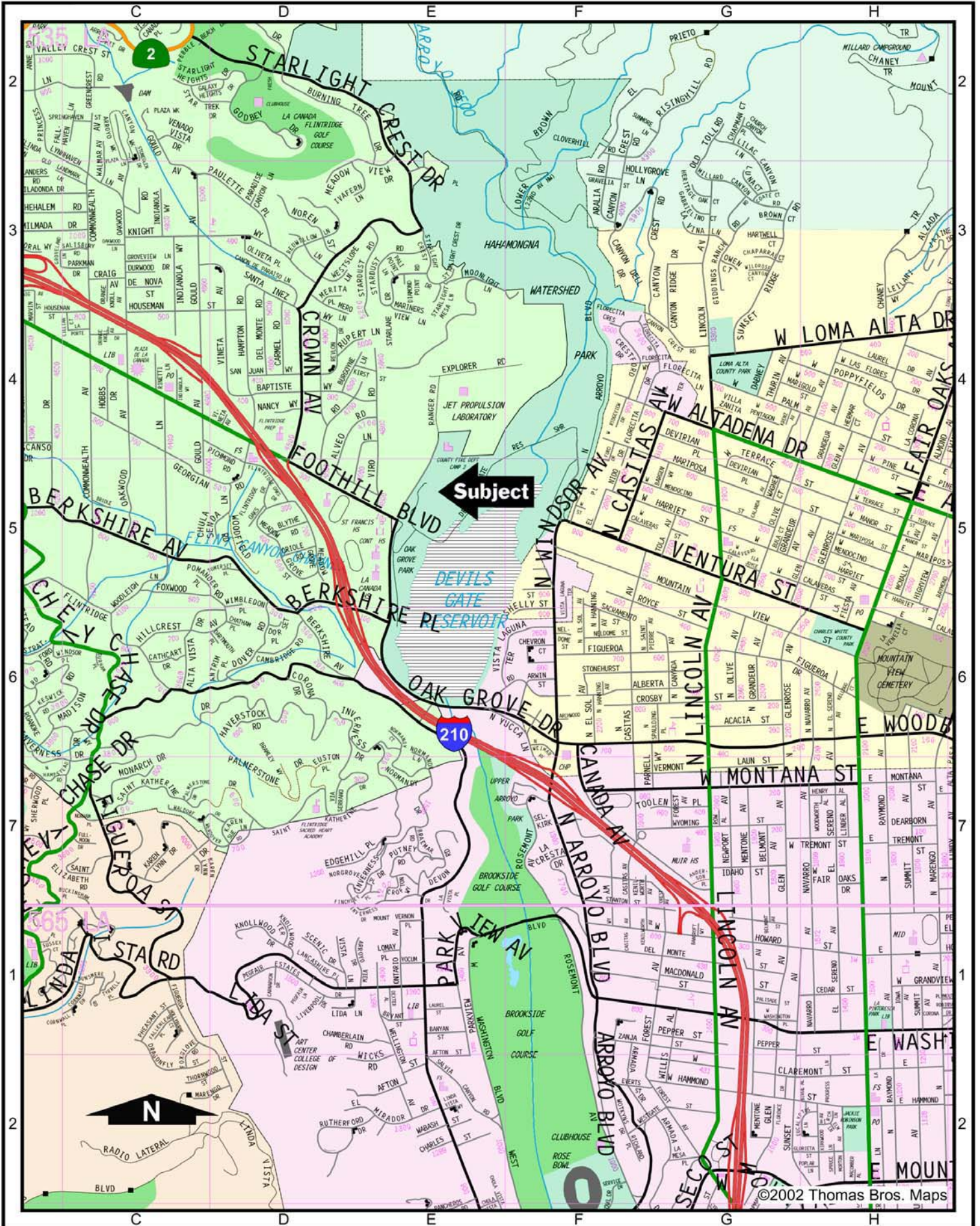
Pasadena's population has been relatively stable over the past 30 years with the 2000 population projected at 136,237 persons, according to revised U.S. Census figures, reflecting a 3.53% increase over the 1990 estimate of 131,591 persons; this is equivalent to a 0.35% annual growth rate. This relatively slow rate of growth appears to have accelerated recently; the state's Department of Finance estimates the city's population was 141,114 persons, as of January 1, 2003, a 3.58% increase over the 2000 census figure. This increase is likely the result of an unusually large number of multi-family residential developments constructed in the city in recent years.

The city's economy is varied, broad-based and ranges from high tech to manufacturing and service industries. There are an estimated 84,000 professional, technical, sales, managerial and clerical jobs in the city at present. The work force is well-educated. The 2000 census grouped the occupations of workers over the age of 16 in the city into the following categories: 48% managerial and professional jobs, 15.7% service sector jobs, 23.3% sales and office jobs, 5.1% construction, extraction and maintenance work, and 7.8% production, transportation and material moving occupations.

Pasadena is a well known community within the greater Los Angeles metropolitan area, due in large measure to the annual Rose Parade and Rose Bowl Game. Pasadena provides both affordable and

^{5/} The name of the aboriginal inhabitants of the area prior to European settlement.

NEIGHBORHOOD MAP



luxury housing, neighborhood and regional retail shopping, numerous parks and open space areas, a growing office sector and a solid, diversified employment base. It is an established city with many highly regarded cultural resources. The local economy is diversified and vigorous. By most recognized measures, the city's residents are relatively affluent. In our opinion, the long term prospects for the city are excellent.

Neighborhood

The subject property is located in the northwesterly corner of the city. The city of La Cañada Flintridge borders the property to the north and the west. Immediately north of the subject is the Jet Propulsion Laboratory (JPL). JPL is managed for NASA by the California Institute of Technology and is the leading U.S. center for robotic exploration of the solar system. The JPL site comprises 177 acres and is developed with numerous structures ranging from mid-rise office buildings to research and development labs. In 1999, JPL had a workforce of approximately 4,900 employees, 710 on-site contractors, and an annual budget of \$1.15 billion.

North of JPL the upper Arroyo Seco extends into the San Gabriel mountains and the Angeles National Forest. Hahmongna Watershed Park lies immediately east and south of the subject. The east side section of the park is essentially an undeveloped flood plain ending at a large catch basin for debris and sediment created by Devil's Gate Dam on the south. The Hahmongna Watershed Park master plan, adopted by the city of Pasadena September 29, 2003, proposes numerous naturalistic improvements to this area to increase its use by the public while maintaining its flood control abilities. A copy of the master plan map has been included in the Addenda; the plan is discussed in greater detail below.

On the south side of the subject, the park (formerly called Oak Grove Park) is more functional in nature; there are ball fields, picnic facilities, walking and equestrian trails, and restrooms. An unusual feature is a "disk golf" course for frisbee enthusiasts. The south half of the park and the subject are nearly indistinguishable in terms of natural features and it's clear users of the park, particularly riders and hikers, enter the subject property at will and without much restriction until they reach the county's fire camp, which is fenced and gated.

West of the subject property, across Oak Grove Drive, is the Flintridge Riding Academy, an equestrian center located in the northwest quadrant (NWQ) of Oak Grove and Foothill Boulevard; this facility has direct access to the park's trails by means of a tunnel that extends under Oak Grove. La Cañada High School is in the SWQ of the intersection. St. Francis High School and Flintridge Preparatory School are a short distance southwest. The subject has direct access to the regional freeway system via the 210 Freeway one-quarter mile south, accessed via Oak Grove and Berkshire Place.

In summary, the neighborhood is dominated by open space uses and public or quasi-public uses. This condition is expected to continue when a proposed redesign of the park is implemented through the Hahmongna Master Plan.

CITY OF PASADENA
PARKS & NATURAL RESOURCES DIVISION

**HAHMONGNA
WATERSHED PARK
MASTER PLAN**

A Component of the Arroyo Seco Master Plan

MASTER PLAN ALTERNATIVE

HABITAT ESTABLISHMENT & RESTORATION

- COAST LIVE OAK WOODLAND
- SOUTHERN WILLOW SCRUB
- SAGE SCRUB
- RIVERSIDIAN ALLUVIAL FAN SAGE SCRUB
- MULE FAT SCRUB
- SOUTHERN SYCAMORE RIPARIAN WOODLAND
- STREAMBED RIPARIAN
- AQUATIC
- WETLAND

WATER CONSERVATION

- WESTSIDE SPREADING BASINS*

WEST LAKE

SUPERVISED OVERNIGHT CAMPING AREA

- PARK RANGER STATION IMPROVEMENTS
- WESTSIDE CHILDREN'S PLAY AREA
- RESTROOM IMPROVEMENTS
- IMPROVED PARKING AREAS

WEST SIDE PARK ACCESS

- PARK ENTRANCE AT FOOTHILL BLVD.
- OAK GROVE DRIVE IMPROVEMENTS

OAK GROVE AREA

- GROUP PICNIC SHADE SHELTERS
- WEST SIDE PICNIC AMENITIES
- OAK GROVE FIELD RESTROOM
- FOOTHILL DRAIN IMPROVEMENTS
- OUTDOOR AMPHITHEATER
- SYCAMORE GROVE FIELD
- DISC GOLF IMPROVEMENTS
- EXPANDED PARKING AREA
- NATIVE PLANT NURSERY

LA CANADA H.S.

EQUESTRIAN STAGING AREA

- UPGRADE RESTROOM
- REALIGN AND WIDEN ACCESS ROAD
- BERKESHIRE DRAIN IMPROVEMENTS

PERIMETER TRAIL

SUNRISE OVERLOOK

BICYCLE ROUTE

FLINT WASH BRIDGE

DEVIL'S GATE DAM AREA

- NEW PARKING AREA AT OBSERVATION DECK
- EAST ACCESS (ENTRY) TO DAM
- WEST ACCESS (EXIT) FROM DAM
- CLOSE LA CANADA-VERDUGO ROAD
- DAM KEEPER'S QUARTERS & PUBLIC RESTROOM
- FENCING AT DAM & OBSERVATION DECK FOR PUBLIC SAFETY

TAKATA ASSOCIATES
 PHILIP WILLIAMS & ASSOCIATES
 HWITZ & SALVIN
 THE NATELSON COMPANY
 MIRALLES ASSOCIATES
 MONTGOMERY WATSON
 BETH THELEN, ARTIST
 PARSONS ENGINEERING SCIENCES
 HURT DESIGN ASSOCIATES
 ALTERNATIVE MASTER PLAN MARCH 10, 2003



- GABRIELINO TRAIL AREA
- CONVERT JPL PARKING TO PUBLIC PARKING*
- NEW PUBLIC RESTROOM*

- NORTH PERIMETER TRAIL BRIDGE CROSSING
- WATER CONSERVATION
- EAST SIDE SPREADING BASINS*
- ALTADENA DRAIN IMPROVEMENTS
- ALTACREST DRAIN IMPROVEMENTS*

SUNSET OVERLOOK

EAST LAKE*

- EAST SIDE PARK ACCESS
- NEW PARK ENTRANCE*
- REALIGN PARK ACCESS ROAD
- WIDEN JOHNSON FIELD ROAD

- EAST SIDE PARK AREA
- RENOVATE JOHNSON FIELD
- CONVERT BASIN 13 TO PLAY FIELD
- REPLACE RESTROOM
- EAST SIDE PICNIC AMENITIES
- CHILDREN'S PLAY AREA
- PARKING IMPROVEMENTS
- INTERPRETIVE AREA AND PARKING*

- WATER CONSERVATION
- SEASONAL FLOOD MANAGEMENT
- WATER CONSERVATION POOL
- PUMP BACK SYSTEM*
- OVERALL STORM DRAIN IMPROVEMENTS

- FLOOD MANAGEMENT
- SEDIMENT & DEBRIS MANAGEMENT
- SEDIMENT REMOVAL ACCESS

- TRAIL DEVELOPMENT
- PERIMETER TRAIL
- FLINT WASH BRIDGE CROSSING
- NORTH BRIDGE CROSSING
- EAST RIM TRAIL & CONNECTORS
- WEST RIM TRAIL & CONNECTORS
- DAM OBSERVATION TRAIL

* This project could impact NASA/JPL perchlorate clean-up and cannot proceed without NASA/JPL coordination.

Hahmongna Watershed Park Master Plan

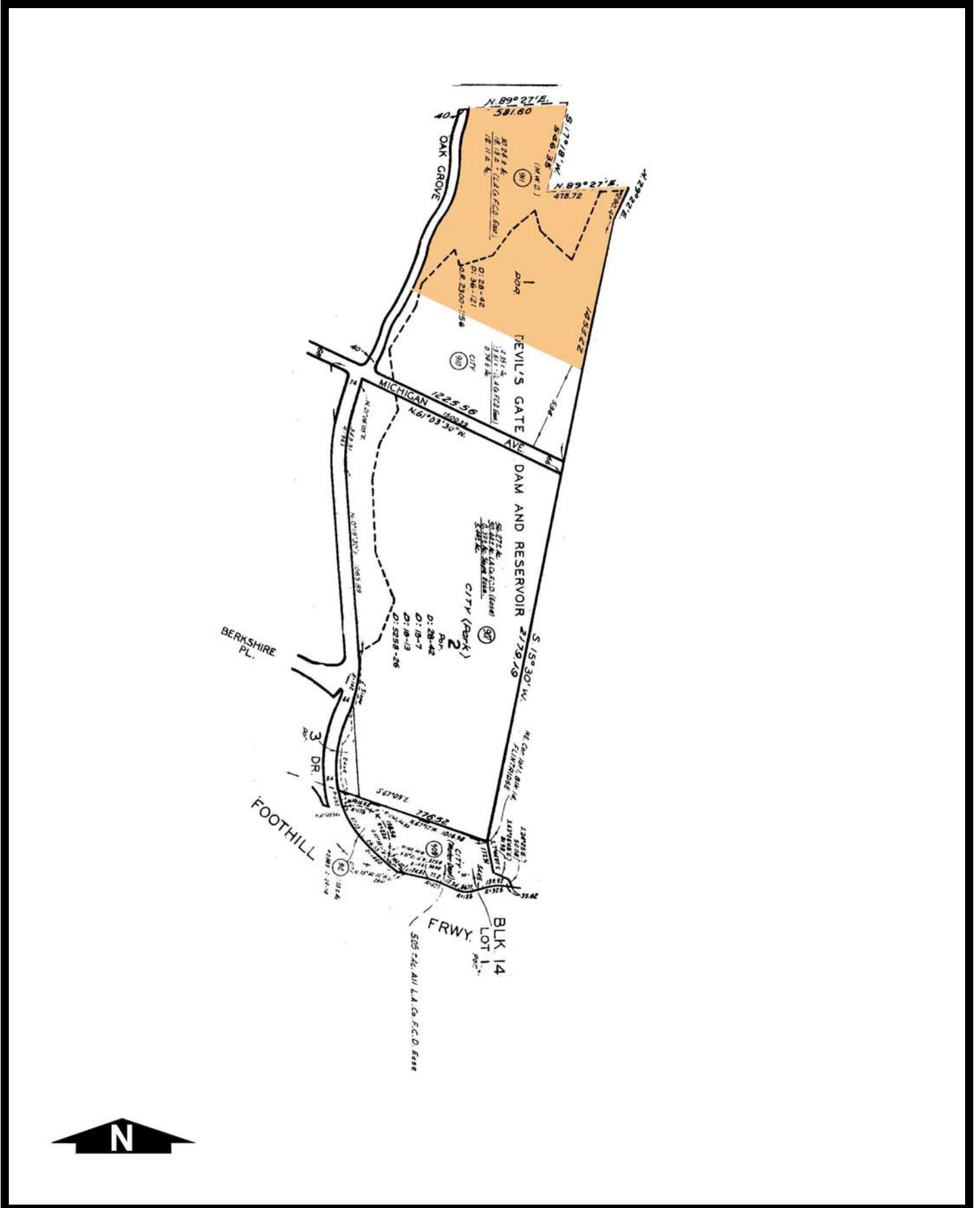
As noted above, Hahmongna Watershed Park surrounds the subject on two sides. The park is part of the 1,300- acre upper portion of the Arroyo Seco, which flows out of the San Gabriel Mountains to the north. In 1920, Devil's Gate Dam was constructed for flood protection and to create a water reservoir to recharge the Raymond Basin aquifer, the underlying drainage basin for the entire area; the dam lies south and east of the subject. The Rose Bowl is south of the dam, in the central Arroyo Seco.

The city of Pasadena maintains the physical and natural resources of the Arroyo Seco in cooperation with several other agencies. L.A. County's Department of Public Works owns and operates the dam and maintains a flood control easement which extends to the 1075-foot elevation line, and includes the 18.13-acre easement encumbering the subject property. The department's flood maintenance division is responsible for flood control work and debris removal within the easement area while the city is responsible for maintaining the habitat and recreation-related features inside and outside the easement.

The Hahmongna Park Master Plan is the result of five years of planning efforts that began in 1997 when the city council established the Hahmongna Watershed Park Advisory Committee. The plan eventually adopted has seven major goals, including the preservation, restoration and enhancement of native habitat, the conservation and protection of the water resources of the Arroyo Seco, provision of diverse recreational opportunities for the community, and the provision of a safe and secure park.

The master plan is one element of an overall master plan for the entire Arroyo Seco, the *Arroyo Seco Master Plans*. The larger plan's six "Guiding Principals" act as an "umbrella under which fall the specific goals and objectives for each of the Arroyo Seco Master Plans." One of the principals is "(t)o preserve and acquire open space in or adjacent to the Arroyo Seco. In apparent pursuit of this goal, the city has approached the MWD with the intention of master leasing the property. The MWD is amenable to this idea, although it has also been approached by two other agencies interested in leasing the property, the L.A. County Fire Department and the Foothill Municipal Water District. As noted above, it is the function of this appraisal to provide a valuation basis for the possible negotiation of such a lease.

PLAT MAP



PROPERTY DESCRIPTION

Legal Description

A preliminary title report was reviewed; a copy can be found in the Addenda. The report is dated September 1, 2004 and is identified as Order No. 41017732-X77. The report details a number of easements and encumbrances affecting the subject property. The report does not mention the 18.13-acre flood control easement in favor of the county. Based on the report, as well as other information, it appears that the subject property is extensively encumbered by easements and the use of the property is thereby limited.

Site Description

The site is irregular in shape, contains 29.481 acres and has approximately 2,300 feet of frontage on Oak Grove Drive with a depth ranging from 582 feet on the north end of the property to 1,226 feet on the south. All dimensions set forth herein are taken from the assessor's map for the property.

Topography: The property has level to sloping topography and elevations ranging from 1,065 feet to almost 1,080 feet. The overall slope of the site is down to the south-southeast.

Soil conditions: The soils are assumed to have the load-bearing capacity to support typical structures for open space uses. We have not received a soils report and do not know the actual load-bearing capacity of the native soils.

Flood Hazard: The subject is in Flood Zone D, per FEMA's flood map for the area (Community Number 065050 dated September 7, 1984). In Zone D areas, flooding is possible, but they are not special flood hazard areas and insurance is not required by federal regulations. It will be recalled that 18.13 acres of the property is impacted by a flood control easement in favor of the Los Angeles County Flood Control District. Although the subject property is not rated by FEMA as being in a special flood hazard area, it must be assumed that due to this easement, the risk of flooding is probable. The easement area is delineated on the accompanying plat map for the property.

Seismic Hazard: The subject property is in an area where there has been historic occurrences of liquefaction, or where there are local geological and groundwater conditions which indicate a potential for permanent ground displacements. All of Southern California is seismically active. The subject is quite close to one of the more significant seismic zones in the area, the San Gabriel-Sierra Madre Fault Zone. There has been one major quake along this fault in recent times, the Sylmar quake of 1971.

Hazardous Substances: JPL immediately north of the subject is an identified superfund site and is on the EPA's national priorities list. Until the 1950s, the lab discharged various toxic substances into the soil by means of cesspools. These are the suspected source of the high concentrations of perchlorates and other volatile organic compounds identified in wells down gradient from JPL which have compromised the entire Raymond Basin aquifer. The subject, along with other properties in the area, is affected by this situation.

We reviewed a Phase I environmental site assessment (ESA) report prepared by Hart Crowser, dated March 23, 2004, and identified as Project No. 16157. The report was prepared for the U.S. Forest Service and covers the area the service leased from the MWD. According to the report, there are some causes of concern on this part of the subject property, particular with regard to a possible leaking underground storage tank, which was removed sometime after 1989. In addition, the report notes that given the nature and age of the improvements here, the existence of asbestos, lead based paint, and PCBs is a possibility.

The ESA report concludes that no "Recognized Environmental Conditions were identified." We have assumed this means that at least part of the overall subject property is "clean" to regulatory standards. We have further assumed that no other environmental factor affect the remainder of the property that could have an adverse impact on marketability or value.

Utilities: All normal utilities service the site; electricity and water are furnished by Pasadena Water and Power; sewers supplied by the facilities of the city of Pasadena and Los Angeles County Sanitation District; gas supplied by The Gas Company, and telephone furnished by SBC.

Access: The subject property has two access points. From the south, access is afforded through the main entrance to Hahmongna Watershed Park, at the intersection of Foothill Boulevard and Oak Grove Drive. The northerly access point is located off an entrance road to JPL east of Oak Grove Drive. The access points are considered adequate for the current use and the highest and best use of the subject property.

Site Utility: The site is functional in size, shape, utilities, and topography and is capable of accommodating most uses as set forth in the open space zoning designation.

Zoning - General Plan

The following discussions concerning zoning (both here and in the next section of the report) are based primarily on our reading and analysis of the city's zoning code and general plan. Contact was made with several city planners to get additional information, but to date, they have been less than responsive. All they would provide were general comments about the possibility of changes in the subject's zoning and general plan designations. However, these comments are consistent with our own interpretations and conclusions.

The subject property has a general plan designation of Open Space (OS). According to the city's zoning map, most of the property is zoned OS (open space district), while a small portion (roughly two acres) is zoned PD-16 (planned development district); this latter area is located in the northeast corner of the forest service's leased area, adjacent to the JPL site. It is our understanding this area at one time was supposed to be sublet to JPL for additional employee parking. As far as can be determined, this never occurred; at the present time, the area is used for equestrian activities (stalls, sheds, arenas, corrals), not parking.

According to Chapter 17.44.070 of the zoning code, a PD plan expires two years after approval unless certain conditions are met. Our interpretation of this section is that since the area in question is not now used for parking (presumably the reason for the PD classification), this zoning has lapsed and the area has reverted to the OS classification. City planners have advised us this is "likely."

The specific purpose of the city's open space zoning is to "(p)rovide a suitable classification for large public or private sites permanently designated for park or open space uses."⁶ The OS classification "is a base district for open space, park and recreational facilities of a landscaped, open character having a minimum contiguous site area of 2 acres."⁷ Uses that are permitted include: open space; minor utilities; accessory antenna array; some accessory uses; and limited commercial filming. Uses that are allowed by conditional use permit include: caretaker's quarters; clubs/lodges; cultural institutions; maintenance and service facilities; park and recreation facilities; public safety facilities; major utilities; commercial filming; commercial recreation; horticulture; nurseries; recycling centers; swap meets; animal shows; circuses and carnivals; farmer's markets; tents. Additional restrictions apply to the above uses and a caretaker's residence is limited to one dwelling unit per site.

The code's intent is to "(p)rotect public health and safety by limiting lands subject to flooding, slides, or other hazards to open space uses [and to] (a)llow the commission and city council to consider the most appropriate use of a site following discontinuance of a large public or private open space use without the encumbrance of a base zoning district that may or may not provide appropriate regulations for future development of the site."⁸ Based on the provisions of the code, the existing uses on the subject site appear to be legal, conforming uses.

Improvement Description and Analysis

Information regarding the existing improvements on the subject site was ascertained by means of aerial photographs, exterior inspection, and documentation supplied by the client. We did not make interior inspections of any buildings, other than two metal structures on the east side of the Forest Service site. General information regarding the existing improvements is provided for informational purposes.

^{6/} Pasadena Municipal Code, Chapter 17.36.010 A.

^{7/} Ibid, Chapter 17.36.020.

^{8/} Ibid, Chapter 17.36.010 B, C.

There are numerous structures and site improvements; copies of the various site plans provided by the client can be found in the Addenda. The square footages of the existing improvements are unknown, as are their dates of construction. They are grouped as follows:

Los Angeles County Fire Camp Improvements: This portion of the subject property is used as a fire suppression camp and is home to a “fire ship” helicopter, which is in operation 24 hours per day during the peak fire season. The camp also has facilities for training, on-site living quarters and the maintenance of vehicles. The property is improved with extensive concrete driveway areas, a helicopter landing area, and approximately four to five main buildings. The buildings appear to be used as an administrative office/on-site quarters, a training facility with classroom seating, a six-bay vehicle maintenance building, and other storage/maintenance buildings. The construction of the buildings include: metal clad, wood frame and stucco and cinder block structures. The existing improvements are well maintained and most are of above-average quality.

U.S. Forest Service Improvements: This portion of the subject property is improved with several buildings including: four dormitories, two administrative buildings, a vehicle maintenance garage, a mess hall, miscellaneous maintenance and storage buildings, a metal shed, three mobile homes, and interior asphalt parking and driveway areas. The main office and barracks appear to be in average condition and the remaining improvements appear to be in fair condition. Most of the buildings are of low-cost concrete block construction; the maintenance and storage buildings are metal structures of average quality. On the date inspected, all improvements except the mobile homes were vacant and most were boarded up.

Rose Bowl Riders Improvements: This area is developed as an equestrian facility; improvements include two stables/barns, two arenas, several covered stables, a mobile home, corrals, fencing and sheds. A portion of the site is used by a sub-tenant, Tom Sawyer Camps, as a vehicle storage area. These improvements are essentially personal property and most could be disassembled and reused at another location.

The county fire camp improvements are relatively substantial and in good condition; they could have some contributory value to the property. However, the current lease stipulates that they are the personal property of the lessee and they are to be removed by the lessee at the end of the lease term. For this reason, the improvements on this portion of the overall property are assumed to make no contribution to its value.

The forest service improvements are 40-50 years old; they are somewhat specialized in terms of design and functionality. Pursuant to its lease obligations, the forest service has given the MWD notice of its

intent to demolish these structures. According to a letter dated September 16, 2004, the forest service would commence demolition of the improvements as of November 1, 2004, at its sole expense.⁹

The equestrian improvements are the personal property of the lessee; they are to be removed at the end of the lease term at its expense. As a result, and because of their nature, these improvements are considered to make no contribution to the subject's value.

Assessed Value and Taxes

The subject property is owned by a public agency, the Metropolitan Water District of Southern California and is not assessed for property tax purposes. There is a nominal assessment levied for mosquito abatement purposes; for the 2003-2004 fiscal year, the amount was \$185,700.

HIGHEST AND BEST USE

Highest and best use is a market-driven concept reflecting the market's perception of the most profitable use of real property. Highest and best use is defined as: "The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."¹⁰

The concept of highest and best use is the premise upon which value is based. A property's highest and best use is determined by the market in which it is located. Appraisers must conclude to the most probable and profitable use for a site "as vacant" and "as improved or proposed." In the case of the subject, an as improved analysis is not required for the reasons cited before, i.e., the existing improvements on the property are considered to make no contribution to its value. The four criteria that a highest and best use analysis must address are physical possibility, legal permissibility, financial feasibility, and maximum profitability.

Highest and Best Use as Vacant

The highest and best use of a parcel as vacant assumes that the property is vacant, or can be rendered vacant by demolishing existing improvements, and made available for development or redevelopment. Theoretically, highest and best use analysis is only related to land value since land alone is considered to *have* value; improvements only *contribute* to value.

^{9/} On the two dates of property inspection, it did not appear that any demolition work had begun. We note that the lease's extension on a month-to-month basis was done to resolve this matter.

^{10/} The Appraisal of Real Estate, Appraisal Institute, Twelfth Edition, 2001, Page 305

Physically Possible: The subject is an irregularly shaped parcel of land with extensive frontage along Oak Grove Boulevard, a secondary community street. Local and regional access characteristics are above average. The site's size and configuration could accommodate a variety of uses. It is well-drained and the topography is predominately level. The load-bearing capacity of the property's soils is not known, but is assumed to be adequate for typical development. All utilities are available to the site and there are no apparent physical limitations to development. Based on these *physical* features, the site could be developed with any uses that are legal and feasible.

Legally Permissible: The subject parcel is zoned OS, the city of Pasadena's open space land use category; the general plan classification is the same. A fairly limited number of uses are permitted, all of which must preserve the natural features of the site. The property's existing use as a quasi-public facility providing services to the surrounding community is an excellent example of the kind of use intended by the existing zoning and general plan classifications. Another would be the use that exists to the south, a public park.

Open space property is inherently "low value" when compared to other, physically similar properties not limited to open space uses. The subject is adjacent to a highly affluent residential community, La Cañada Flintridge. The site has physical qualities that would easily accommodate upscale residential development. Because this seems the most plausible and likely alternate use of the property, the possibility of changing its zoning was raised with city planning personnel. The following is a summary of their responses:

- An initial study of a possible re-zoning of the property would need to be done by the community planning section to determine feasibility.
- The city is opposed to "pocket zoning;" there is no residential zoning contiguous to the subject or nearby; surrounding land in the city is zoned OS.
- The city is seeking to enhance and expand existing open space uses in the area.
- If a proposed subdivision was larger than 25 lots, a second means of access would be required; the site is surrounded by JPL to the north, a public park to the south and the arroyo to the east; could a second means of access be achieved?
- Surrounding land uses typically influence the success or failure of general plan amendments and zone changes. Adjoining uses are typically required to be compatible.
- There is strong community support for expanding open space uses in this area; it is highly likely any effort to re-zone the subject would meet local resistance.
- The city wants to lease the property in order to achieve its goal of expanding open space uses.

We also contacted the city of La Cañada Flintridge about its position vis a vis a change in the subject's zoning. We were advised by Fred Buss, a senior planner, that Oak Grove Drive is entirely within La Cañada's jurisdiction. They would be "concerned" about any increase in traffic caused by another use of the subject, since the street is already heavily traveled due to JPL. They would have control over approving any additional street improvements required by a new use. They would also be concerned

about any effort to cut off the existing use of the horse trails on the subject by riders from the riding club across the street; the club is in the city and popular with local residents.

Based on the above information, we have concluded that the likelihood of a zone change and a general plan amendment allowing less restrictive uses on the subject is extremely unlikely. In a physical sense, the property is essentially integrated into the open space land around it and has been for many years. In addition, the existing flood control easement would undoubtedly impose major constraints on any residential development. Therefore, *legal* uses of the subject are those uses compatible with the property's existing zoning and general plan classifications.

Financially Feasible and Maximally Productive: Strictly speaking, these concepts pertain to the possibility of generating income from real estate. In the case of property restricted to open space uses, the potential to generate income is fairly restricted because the uses permitted will not be uses that can pay high rent. However, the market for open space land does not always support the conclusion it has limited value because properties bought for open space often have other potential uses as well, bringing into play the concepts of financial feasibility and maximum productivity. This is not the case with the subject; we have concluded that its future use is restricted to open space uses only. Therefore, the application of the two concepts to the subject is moot.

Conclusion: The highest and best use of subject as a vacant site is a combination of open space and parkland for public use, and public and quasi-public agency use, similar to the current tenancies.

Comparable Land Data Speculative and Open Space Sales							
Item No.	Location/Address Assessor's Parcel No(s). Thomas Map No.	Site Data			Date Sold	Sales Price	
		Acres	Zoning	Topography		Total	Per Acre
1	End of Hillpark Drive, W/O Cahuenga Blvd. Los Angeles (Hollywood Hills), CA 5549-003-001, 002; 5549-004-001 ¹ 592-G2	30.37	RE15-1-H	Rolling to very steep	06/17/99	\$2,500,000	\$82,318
						Buyer: LB/LD-S Ventures Hollywood Hills LLC Seller: Lone Oak Hill Park LLC	Document No.: 99-1117402
2	NWQ Chesebro Road & Fairview Place Agoura Hills, CA 2055-02-066 ¹ 558-C3	7.55	OS-OA	Steep hill with panoramic view	09/20/00	\$150,000	\$19,868
						Buyer: City of Agoura Hills Seller: Mauric & Shirley Rapkin	Document No.: 00-1472455
3	S/S Agoura Road, E/O Vendell Place Agoura Hills, CA 2063-008-025; 2064-006-004 ¹ 558-E7	106.00	PFC-RR	Gently rolling to steep terrain	12/22/00	\$3,200,000	\$30,189
						Buyer: Mountains Recreation & Conservation Authority Seller: Albert A. Abrams	Document No.: 00-2000215
4	NEQ & NWQ Baldwin & Carter Avenue Sierra Madre, CA 5762-002-001, 003; 5762-009-006; 5762-010-002 567-A1	62.51	R-1-15,000	Level valley with steep hillsides	04/12/01	\$5,000,000	\$79,987
						Buyer: Marnantha High School Seller: Theodore H. Willis, David G. Willis, Anne Willis Briggs	Document No.: 01-0627356
5	End of Winnetka Ave., N/O Mulholland Drive Woodland Hills, CA 2174-006-002; 2174-008-005; 2174-009-003, 004; 2178-006-006, 008, 010; 2178-007-003, 004, 006, 008; 2178-009-004, 009, 010; 2178-010-009; 2180-024-004 560-D4	328.00	RE40-1	Rolling to steep	05/30/01	\$7,700,000	\$23,476
						Buyer: American Land Conservancy Seller: Mulholland Hills Associates	Document No.: 01-0945292
6	End of Highland Place, N/O Hillcrest Boulevard Monrovia, CA 8501-009-008; 8503-003-006; 8503-015-005 ¹ 567-E2, F2	164.55	CCSP	Level valleys; steep ridges	08/13/02	\$11,700,000	\$71,103
						Buyer: City of Monrovia Seller: Gary G. & Cathleen C. Miller	Document No.: 02-1891547
7	End of Briar Summit Dr., E/O Laurel Canyon Blvd. Los Angeles (Hollywood Hills), CA 5570-020-007, 008; 5570-021-018, 019, 020 ¹ 593-A1	51.28	RE40-1-H	Moderately steep-steep hillside	12/30/02	\$3,800,000	\$74,103
						Buyer: Mountains Recreation & Conservation Authority Seller: Roy B. Hollingsworth, Trustee	Document No.: 02-3199583
8	N/S Glenoaks Boulevard, E/O Chevy Chase Drive Glendale, CA 5660-026-020; 5662-023-002 565-B2	78.61	ROS III	Steep hillside	01/02/04	\$4,500,000	\$57,245
						Buyer: City of Glendale Seller: Norman L. Poulsen	Document Nos.: 04-0002541 04-0002542
9	Cobal Canyon Area, N/O Mt. Baldy Road Los Angeles County (Claremont), CA 8675-023-005, 006 571-C2, D2	240.00	A-1-2	Rugged canyons and steep hillsides	03/15/04	\$1,000,000	\$4,167
						Buyer: City of Claremont Seller: Rancho De Los Amigos	Document No.: 04-0608921
10	N/S Glenoaks Boulevard, E/O Chevy Chase Drive Glendale, CA 5660-022-016; 5660-024-001, 003, 004, 006; 5660-026-025; 5662-021-001; 5662-022-002 565-A2, B2	148.61	ROS III	Steep hillside and deep canyon	05/20/04	\$7,100,000	\$47,776
						Buyer: City of Glendale Seller: Bonnie Burton Sills, Bonnie Sills, Ferrell Burton III	Document No.: 04-1285118
	Subject Property E/S Oak Grove Drive, N/O Foothill Boulevard Pasadena, CA 5823-003-911 535-E4, E5	29.48	OS-OA	Level floodplain			

¹ Indexing at time of sale

VALUATION

Methodology

The purpose of this appraisal is to estimate the fair market values of the fee simple and leased fee interests of the subject property. The fee simple value has been estimated by using the sales comparison approach. The sales comparison approach measures the value of a property by comparing it to recent sales of properties with similar characteristics and utility. While no two properties are the same, units of comparison such as price per square foot of land or price per acre can be extracted from sales. The primary unit of comparison used in the market for acreage sales is price per acre. Price per acre is used in this analysis. After establishing the fair market value of the subject's fee simple interest, an analysis was made to estimate the fair market value of the leased fee interest. This was accomplished by a type of income approach.

Sales Comparison Approach - Fee Simple Land Valuation

The fee simple valuation analysis is based on the sales summarized on the accompanying table. The properties involved vary considerably in terms of location, topography, size and development potential. Eight of these items have one important feature that makes them comparable to the subject: they were acquired to preserve them for open space uses. The other two items represent unentitled speculative acreage sales that had the potential to be converted to open space status. The following discussion provides a brief background for each of the items.

Land Sale No. 1: This property sold at a unit rate of **\$82,318** per acre; it is located in the Cahuenga Pass area of the Hollywood Hills, just northerly of the Hollywood Bowl. The comparable's topography ranges from rolling to very steep hillsides and canyons; several low ridges traverse the site that could provide significant view amenities, but because they are visible from Mulholland Drive, which runs along the northerly boundary of the property, they cannot be developed. A fairly deep ravine runs along much of the comparable's frontage on Mulholland. This property sold six months prior to the sale under consideration here for \$1.6 million; we have not been able to determine the details of the earlier transaction, although the broker for the more recent sale thought it resulted from the exercise of an option that had been negotiated a number of years before. The buyers of the sale analyzed here subsequently obtained entitlements for a 23-lot residential subdivision. At one time, a major conservation group considered acquiring the property but did not due to a funding shortage. After the property gained entitlements, it was resold in January 2000 for \$6.6 million, or \$217,320 per acre. A 23-home clustered condominium subdivision was completed and residences in the development are now selling in the \$1.1-\$1.4 million range.

Land Sale No. 2: This property sold at a unit rate of **\$19,868** per acre; it is located in the “Old Agoura” section of Agoura Hills, north of the Ventura Freeway. This area is developed with large equestrian ranches that typically sell well in excess of \$1.0 million. The comparable consists of a fairly steep hill surrounded by relatively level land; the site itself is mostly hill. It may be legally landlocked, but there is physical access to it from a small, undeveloped (and illegal) subdivision to the west. The parcel is zoned as open space, but Agoura Hills’ zoning code permits at least one dwelling unit on it. The city acquired this property to preserve its open space nature; there are no plans to do anything with the property, other than to leave it in its current condition. The sellers originally approached the city to see if it wanted to buy the property, indicating at the time that some interest in the parcel had been expressed by developers who were also attempting to acquire other land in the area. The eventual purchase price was based on an appraisal.

Land Sale No. 3: This property sold at a unit rate of **\$30,189** per acre; it is located on the southerly side of Agoura Road, just west of Liberty Canyon and south of the Ventura Freeway, in Agoura Hills. The property lies along the northern edge of the Santa Monica Mountains. The topography of the site ranges from level land along roadside to steep, mountainous hillsides in its southerly portions. The comparable was actually bought by the L.A. County Sanitation District, which acquired it and then deeded it to the Mountains and Recreation and Conservation Authority, which in turn deeded it to the state to add to other holdings in the area. The purchase was made to acquire mitigation land so that the county could obtain a permit to expand an existing nearby landfill. The property was unentitled at the time it sold, but Agoura Hills appears to have been willing to consider a 25-lot subdivision along the Agoura Road frontage, with the interior lands left as open space. A prior escrow that fell through was contingent upon approval of a 150-175 lot subdivision not acceptable to the city.

Land Sale No. 4: This property sold at a unit rate of **\$79,987** per acre; it is located at the end of Baldwin Avenue, in Sierra Madre, in the foothills of the San Gabriel Mountains. The comparable was bought by a religious organization which intended to develop it with a private high school. This proposal met with stiff opposition from the surrounding community, primarily because it was believed it would bring excessive traffic into the neighborhood. According to the buyers’ representative, there was a contingency plan to subdivide the property into residential home sites if the high school was not approved. The seller involved in this transaction had earlier submitted a plan to the city proposing a 25-lot subdivision. However, this proposal was never reviewed because shortly after the map was filed, the negotiations which led to this sale began. Eventually, the city would not approve the proposed high school. The buyers are now attempting to get a tentative tract map approved that would subdivide the property into 30-40 lots; most of the property would remain open space under this plan.

The purchase price for this item was allocated by the buyers as follows: \$4.5 million for ± 50 acres and \$500,000 for the remaining ± 13 acres, consisting of a low ridge along the west side of the property. Reportedly, a conservation group was interested in buying the ridge, considered a critical habitat, at a price of \$1.0 million. The agreement of sale contained a proviso that the sellers would participate in

the profits of any future sale of the property, if the high school project wasn't approved. If the sale to the conservation group takes place, the sellers will receive 50% of the difference between \$500,000 and the eventual sales price, per the agreement. In addition, the sellers are to receive a share of any profits received in a resale of the property if a map is approved, up to the point where the total sales price for the property could be \$5.8 million (\$92,785 per acre). A developer is reportedly prepared to pay \$800,000 a lot for the property if a map is approved.

Land Sale No. 5: This property sold at a unit rate of **\$23,476** per acre; it is located at the southern end of Winnetka Avenue, northerly of Mulholland Drive, in the community of Woodland Hills. The surrounding area is one of high-priced homes, many selling well in excess of \$1.0 million. At the time of this sale, the sellers were seeking approval of a tentative tract map that would have subdivided the property into 49 single family residential lots, with much of the land (\pm 232 acres) left in a natural, undeveloped condition. A prior unsuccessful proposal sought to develop 80 lots on the site, the maximum allowed based on a slope density analysis. The property is near the top of the Santa Monica Mountains. Its topography is hilly with a number of small, steep canyons and ravines crisscrossing it. There was strong local opposition to the proposed development, as there has been to other proposed projects nearby. After lengthy negotiations, the buyers, a major private conservation group, acquired the property at the price shown and then resold it to the state park system.

Land Sale No. 6: This property sold at a unit rate of **\$71,103** per acre. This comparable is located at the northern end of the city of Monrovia, in the foothills of the San Gabriel Mountains. The topography of the site ranges from nearly level to steeply sloping terrain. Two sizeable canyons on-site provide a large amount of semi-level area; they are surrounded by low, rugged hills. The property is immediately east of the city boundary between Monrovia and Arcadia. At one time, the easterly portion of this site was used as a commercial nursery; there are a number of semi-graded pads in this area left over from that use. Direct access to the property is by means of Highland Place, Cloverleaf Drive, and Hidden Valley Road, three local streets that end at its southern boundary.

Prior to this sale, the owners of the property had received approval of a tentative tract map that would allow 31 residential lots to be developed on the eastern half of the property; the allowed density was one lot for every 2.5 acres. In addition, the owners were pursuing approval of a map for the western half of the property that would permit an additional 28 lots there, based on recently adopted hillside land use controls. The owners had worked actively with the city in developing the controls. If the additional lots were approved, the owners had reached an agreement with a developer to sell the property at a price significantly higher than the one under discussion here. The proposed development of this item, along with several others nearby that were either proposed or had been approved, created strong community opposition, despite the fact that the hillside land use controls had been approved in a city election. As a result, the city decided to acquire this and other parcels in the area, using bond funds provided by several park bond propositions passed by state voters.

Land Sale No. 7: This property sold at a unit rate of **\$74,103** per acre; it is located on the south-facing slopes of the Hollywood Hills, about one-quarter mile southeast of the intersection of Mulholland Drive and Laurel Canyon Boulevard. Direct access to the comparable is by means of Briar Cliff Drive, a local street that ends at the property's western edge. The topography of the property ranges from moderately steep to very steep overall. Several small ridges extend downslope in a southerly direction toward Woodrow Wilson Drive; the tops of these ridges are relatively level and provide good to outstanding views in various directions. The eastern end of the property has a panoramic view out over Hollywood toward the downtown skyline. At the time of sale, this item consisted of three legal lots, although no specific entitlements had been sought or approved. The property is one of the last sizeable pieces of undeveloped land in the area. The buyer, a state-funded conservation agency, acquired the property for this reason and to preserve critical natural habitat.

Land Sale No. 8: This property sold at a unit rate of **\$57,245** per acre; it is located on the northern slopes of Flint Peak, near the Scholl Canyon Landfill. It is across the street from the Scholl Canyon Golf Course, owned by the city of Glendale. This item and Item 10 are closest in proximity to the subject of all the comparables. The property's topography is steep to very steep; it slopes down sharply from its frontage on Glenoaks to a deep ravine containing a blue line stream. The property was put on the market in 2001 at an asking price of \$5.8 million. Reportedly, an escrow was opened in late 2001 with the contract price the same as the listing price; this transaction never closed.

According to city records, the property's owners submitted a map to the city sometime in the late 1990s proposing a 40-lot subdivision, but never actively pursued entitlements for the proposal. City planning officials stated that although 40 lots would be the nominal density permitted by the existing zoning, there were "major" issues relating to ridge line development, secondary access, and drainage. Subsequently, the listing broker approached the city with a proposal to sell the property based on its appraised value. Apparently, the city believed the property had development potential. It also knew that any proposed development would meet with strong community opposition. Consequently, an appraisal was commissioned and the property eventually acquired at a price somewhat below the appraised value.

Land Sale No. 9: This property was purchased at a unit rate of **\$4,167** per acre; it is located in the San Gabriel Mountains at the head of Cobal Canyon, north of the city of Claremont. The site's topography is characterized by steep and rugged hills and ravines. Access is by means of an unimproved dirt road leading into the canyon from Mt. Baldy Road about one mile southeast; the road is not open to the public. A major blueline stream runs through the canyon, emptying into Thompson Creek Reservoir to the south. The owners of this comparable approached the city about acquiring it; Claremont had acquired other nearby parcels in recent years to add to the surrounding Claremont Hills Wilderness Park. An appraisal was commissioned and the property was acquired for slightly less than the appraised value.

Land Sale No. 10: This property sold at a unit rate of **\$47,776** per acre; it is located immediately west of Item No. 8 and shares most of that property's characteristics, although its topography is even more severe. As far as can be determined, no formal development proposals have ever been submitted for the overall property, although the developer of a major project to the north tried to acquire a small part of this site in 1980 to provide additional access to its project. The same broker who negotiated with the city concerning Item 8 represented the sellers of this property. Again, an appraisal was made of the comparable and the city eventually acquired it at a price somewhat less than appraised value.

On a price per acre basis, the comparable sales range from \$4,167 to \$82,318; the median price for the 10 items is \$52,510, while the average is \$49,023. As mentioned before, the selected sales vary widely in terms of location, physical attributes, date of sale, and development potential. No attempt to "adjust" this data with unsupported quantitative factors was made. A qualitative adjustment of the data is also extremely difficult, due to the great variance in the data's comparative features. However, the following observations can be made:

- Eight of the 10 items were acquired for open space purposes.
- The comparables with the greatest immediate development potential (Items 1, 4, and 6) sold at the highest unit rates.
- The comparables with a clearly superior location (Items 1 and 7) sold at high unit rates.
- The comparables that had the least possibility of development (Items 2 and 9) sold at the lowest unit rates.
- The comparable that was most remote and had the least potential for general public use (Item 9) sold at the lowest unit price.

The subject property has very restricted development potential; therefore, its unit value should be something less than rates demonstrated by sales with superior potential. On the other hand, due to its physical characteristics, the subject has greater utility for public use than the "pure" open space sales; as a result, its unit value should be higher than these sales' rates. Based on the factors just discussed, we have concluded that an appropriate unit value for the subject's fee simple interest should be slightly above the average unit price of all the comparables; a rate of **\$55,000** per acre has been selected. Applying that factor to the subject's total area (29.481 acres) yields the following total value (rounded):

**One Million Six Hundred Twenty One Thousand Dollars
(\$1,621,000)**

GROUND LEASE RENTAL DATA SUMMARY			
No.	Lease	Comments	Return
1	SWC Newport Ave. & First St. Tustin, CA APN 500-062-01	Walgreens Pharmacy site; 18,091 sq. ft. Site sold 1/98 for \$750,000 Ground lease rent at time of sale \$55,800 annually, NNN	7.4%
2	SEC Sepulveda Blvd. & Mariposa Ave. El Segundo, CA APN 4138-007-036	Great Western Bank site; 17,424 sq. ft. Site sold 3/98 for \$475,000 Ground lease rent at time of sale \$43,566 annually, NNN	9.2%
3	7856 Foothill Blvd. Sunland, CA APN 2559-010-004, 032	Taco Bell site; 19,388 sq. ft. Site sold 11/98 for \$1,000,000 Ground lease rent at time of sale \$71,500 annually, NNN	7.2%
4	SWC Roscoe Boulevard & Woodley Ave. Van Nuys, CA APN 2689-023-008	Lease began in 1999 Annual rent of \$693,825 315,375 SF of land valued at \$6,938,250	10.0%
5	NEC Harbor Blvd. & Wilson Street Costa Mesa, CA APN 2689-023-008	Lease began in 1998 Annual rent of \$784,000 435,600 SF of land valued at \$7,840,800	10.0%
6	S/S Edinger Avenue, btwn Ritchey & Lyon St. Santa Ana, CA APN 403-061-02	Lease began in 1998 Annual rent of \$857,562 510,088 SF of land valued at \$8,569,478	10.0%
7	N Corner 17th St & Santa Ana Ave. Costa Mesa, CA APN 425-461-01, 02	Lease began in 2000 Annual rent of \$350,000 161,200 SF of land valued at \$3,700,000	9.5%
8	NWC Grand and Route 66 Glendora, CA	Lease began in late 2001 Annual rent of \$200,000 72,750 SF of land valued at \$2,000,000	10.0%
9	523 Dominguez Avenue Wilmington, CA	Lease began in late 2001 Annual rent of \$233,237 149,511 square feet of land valued at \$1,900,000	12.3%
10	1609 East 29th Street Signal Hill, CA	Lease began in late 2001 Annual rent of \$90,000 75,600 square feet of land valued at \$900,000	10.0%
11	Los Angeles World Airports Various land leases	The most recent leases were negotiated in 1999 Annual rents range from \$53,600 to \$75,000 per acre	9.0% - 10.0%
12	Metropolitan Transportation Authority Various land leases	The most recent leases were negotiated in 2001 Leases are typically mo-to-mo, with rates applied to ATF value.	8.0% - 10.0%
13	City of Los Angeles Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 10.0%
14	City of Long Beach Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 9.0%
15	City of San Diego Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 10.0%
16	Port of Los Angeles Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	10.0%
17	Port of Long Beach Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	10.0%
18	Port of San Diego Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	9.0%
19	County of Los Angeles Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 10.0%
20	County of Orange Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 10.0%
21	County of San Diego Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land.	8.0% - 10.0%
22	Irvine Company Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land. Private land owner.	9.0% - 10.0%
23	Watson Land Company Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land. Private land owner.	9.0% - 10.0%
24	Newhall Land & Farming Various land leases	Ground leases are negotiated based upon rates applied to fair market value of the underlying land. Private land owner.	10.0%

Allocation of Value

The client has requested an allocation of the property’s total value between the subject leaseholds, which are the following:

L.A. County Fire Camp 2:	7.000 acres
U.S. Forest Service:	6.800 acres
Rose Bowl Riders Association:	15.607 acres ¹¹

The entire parcel is valued at \$55,000 per acre. The comparable data used in the valuation analysis ranged in size from 7.55 acres to 240 acres; there was little or no correlation between parcel size and price. In addition, in terms of physical and locational characteristics, the various leased areas of the subject are essentially identical with each other and with the subject as a whole. Therefore, the allocation of value is made strictly on a pro rata basis, as follows:

L.A. County Fire Camp 2:	7.000 acres	X	\$55,000 = \$ 385,000
U.S. Forest Service:	6.874 acres	X	\$55,000 = \$ 378,070
Rose Bowl Riders Association:	15.607 acres	X	\$55,000 = <u>\$ 858,385</u>
Total (rounded):			\$1,621,000

Leased Fee Valuation

We have also been asked to consider the impact on the subject’s value created by the lease to L.A. County for Fire Camp 2, in effect a consideration of that area’s leased fee value. A leased fee interest is the lessor’s interest in a lease; it consists of the value of the rental payments to be received over the term of the lease, plus the value of the reversion at the end of the lease. The standard method of valuing a leased fee interest is the income capitalization approach. The present capitalized value of the lease payments, plus the present value of the reversion equal the leased fee value; present value is determined by a discount rate appropriate to the risk and term of the lease.

As noted above, this lease is for a term of 50 years; there are no rent payments received by the MWD. Typical ground rent payments for public agency land are in the 10%-12% of value range, as the information summarized on the table on the facing page indicates. Assuming 10% for the fire camp site, the MWD is foregoing \$38,500 annually in ground rent payments under the terms of its lease.¹² The MWD is foregoing rent in consideration of the mutual public benefit derived from the regional fire fighting function performed by the fire base camp.

^{11/} Based on these figures, the total area of the site is 29.407 acres, slightly less than the figure used in this report, 29.481 acres. We have adjusted for this difference by assigning the difference to the forest service area, since the lessee there is in the process of vacating the premises.

^{12/} The camp’s pro rate share of total property value (\$385,000) times ten percent.

Since the lease is for 50 years, a present value analysis of this rental deficiency employing typical discount rates based on risk of payment, even one that assumes a constant increase in the property's value over the lease period, will show that its leased fee value is nil, or even a negative number. The following example demonstrates this conclusion; it assumes a 10% discount rate and constant growth in the value of the site at a rate of 3.00% annually:

Present Value Factor of Payments at 10% for 50 years:				9.914814
Present Value Factor of Reversion at 10% for 50 years:				0.008519
Reversion Value @ 3.00% for 50 years:				\$1,687,804
Present Value of Rent Deficiency:	\$0	x	9.914814	= \$0
Present Value of Reversion:	\$1,687,804	x	0.008519	= \$14,378
Present Value of Leased Fee:				\$14,378

The leased fee value of the fire camp site is essentially zero. Therefore, the leased fee value of the entire property, without consideration of the Rose Bowl Riders leasehold, is determined in the following way:

L.A. County Fire Camp 2:	7.000 acres	\$	0
U.S. Forest Service:	6.874 acres	\$	378,070
Rose Bowl Riders Association:	15.607 acres	\$	<u>858,385</u>
Total (rounded):			\$1,236,000

Exposure Time

The exposure time for the subject, assuming a sale price equivalent to the market value determined in this analysis, is estimated at one year. This assumes a sale of the property to a private or public conservation group, or the a public entity seeking to increase its open space.

MASTER LEASE

R. L. 1921 (W.A.#3503)
Arroyo Seco Filtration Plant
MWD Parcel No. 1602-1-1 (Portion)
APN 5823-003-911

This Lease is made by and between THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, a public corporation, hereinafter referred to as Lessor, and CITY OF PASADENA, hereinafter referred to as Lessee.

1. DESCRIPTION OF PROPERTY. Lessor hereby leases to Lessee, on the terms hereinafter set forth, that certain property hereinafter referred to as Property. Said Property is described in Exhibit "A" and shown on Exhibit "B" attached hereto and incorporated herein by reference.
2. TERM. The term of this Lease shall be from January 1, 2005 to January 1, 2055 This Lease may be terminated in accordance with the provisions of paragraph 9 herein below.
3. USE. Property shall be used exclusively for the following uses: uses allowed under existing subleases, open space, parkland, public fire fighting mobilization facility and camp, horse show, horse corral, stables, riding ring, related equestrian purposes, and access thereto, and/or other compatible legal use(s) that is reviewed and approved in writing by Lessor, at its sole and absolute discretion. Lessee is not authorized to share or co-locate facilities on or in the leased premises or facilities of any of the sub lessees without receiving prior written approval of Lessor. Lessee is not authorized to permit third parties to share sub lessee's premises without prior written approval of Lessor. No use of subsurface of Property by Lessee or any Sublessee(s) is authorized without written approval of Lessor. Lessee's use of Property shall comply with all applicable laws, ordinances, and regulations. Lessee's use of Property shall be subject to paramount right of Lessor to use Property for water development, treatment, storage, and distribution. Lessee intends to lease Property subject to the existing leases see Exhibits "C" and "B" attached to wit: Lease Rose Bowl Riders, Inc.; Los Angeles County Fire Department. Lessee is further prohibited from permitting revenue generating or value transferring activities on Property by lease or otherwise without the written permission of Lessor. Furthermore, Lessee shall not reconfigure the boundary of the sub leaseholds on Property without written consent of Lessor. The parties hereto agree that Property is currently designated for public utility purposes and nothing shall prohibit or prevent Lessor's ability and right to use Property for the paramount purposes for which it was acquired. Lessor has the right to remove portions of the Property from the Lease if Lessor determines said portions of the Property are required for operational needs. Lessor shall give Lessee 180 days notice of such operational need determination and such removed portions of the Property shall no longer be a part of or subject to the terms of the Lease. All remaining portions of the Property shall continue to be subject to the terms and conditions of the Lease. Lessee shall submit any requested plan for change of use to Lessor for approval. Lessor shall provide to Lessee within 45 days a written response approving or denying, in its sole and absolute discretion, Lessee's request for change of use. Lessee shall document compliance with all applicable laws including but not limited to the California Environmental Quality Act (CEQA) for any proposed change in use.

4. RENT. The basic annual minimum rent for the Property shall be \$14,500. Lessor hereby assigns to Lessee its \$14,500 annual sublease rent from Rose Bowl Riders, Sub-lessee, in lieu of Lessor paying Lessee a management fee.

5. DETERMINATION OF FUTURE RENT. The annual rent during each succeeding one-year period shall be determined by multiplying the basic annual minimum rent of \$14,500 by a factor which shall be the ratio of the Annual Average of the United States Consumer Price Index - All Commodities for the last year of the concluding one-year rental period to the Annual Average of the Consumer Price Index - All Commodities for the year 1999, as reported by the United States, Department of Labor, Bureau of Labor Statistics, and published in its monthly publication "Survey of Current Business" which factor is 166.1; provided, however, that the basic minimum annual rent shall in no case be less than \$14,500, nor shall it exceed the annual sublease rent from Rose Bowl Riders, notwithstanding any language herein to the contrary, unless Lessor shall have approved in writing, in its sole and absolute discretion, a request by Lessee to allow any additional revenue generating activities, whether additional leases or short term uses such as film permit activities.

Computation of the above ratio shall be carried to four decimal places and rounded to the nearest 1/100th with the computation of rent resulting from the application of this ratio rounded to the nearest dollar.

The calculation to arrive at the new rent is as follows:

$$\frac{\text{New Index Prior Year}}{\text{Base Index Prior Year}} = \text{Factor} \times \text{Base Rent} = \text{New Rent}$$

In the event that the U.S. Department of Labor, Bureau of Labor Statistics, shall cease to report, or change its method of compiling and/or reporting the Consumer Price Index - All Commodities used in the above ratio, such other index as may be substituted in place thereof by the appropriate governmental agency of the United States then having responsibility for such compilation and reports of Consumer Price Indices, subject to any necessary adjustment of such Index appropriate to its continued use in determining the ratio set forth above, shall be used.

In the event that such substitute index is not provided, or proves unsuitable for determining the above ratio, then such other index appropriate to such use, as mutually agreed upon by the parties hereto, shall be used.

Notwithstanding the above, Lessor, at its sole and absolute discretion, reserves the right to re-evaluate and re-determine the rental at such time there is a change in the intensity or utilization of the Property from the uses identified in paragraph 3 hereinabove which increases net revenues.

6. RENTAL PAYMENTS. Upon the commencement date of this Lease, Lessee shall pay Lessor rent for the first year of the Lease term. All rental payments shall be made payable to The Metropolitan Water District of Southern California and mailed to Post Office Box 54153, Los Angeles, CA 90054-0153, with the Lease R.L. number noted on the check and on the face of the envelope.

7. LATE PAYMENT CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not

contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor within 20 days after such amount shall be due, Lessee shall pay to Lessor a late charge of \$100. In no event shall the late charge exceed the maximum allowable by law. The parties hereby agree that such late charge will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

8. RETURNED CHECK CHARGE. Lessee shall pay to Lessor a fee of \$100 for any checks returned, plus, Lessee must pay to Lessor any and all other fees incurred with such return. If Lessee has two returned checks within any 24-month period, Lessor shall not accept personal checks for any current or future payments due under this Lease. In this event, acceptable payment shall be in the form of cashier's check, money order, or cash delivered in person to Lessor's Accounts Receivable Section located at 700 North Alameda Street, Los Angeles, CA 90012-2944.

9. TERMINATION. This Lease may be unilaterally terminated at any time by Lessor for default by Lessee, or after 5 years on 180 days notice by Lessor. This Lease may be unilaterally terminated at any time by Lessee for default by Lessor or at Lessee's sole discretion on 180-days notice. Notice is to be deemed given upon the mailing thereof, postage prepaid, to the recipient at its address set forth below. Violation of any term, covenant, condition or provision contained herein shall be cause for termination of the Lease, unless corrected within sixty days after Lessor's written request to do so. In the event the Lease is terminated between the anniversary dates in accordance with the provisions of this clause, there shall be no pro rata refund of any rent paid in advance for the remaining term.

If this Lease is terminated by Lessor for other than the default of Lessee, Lessee shall have no further cost, liability or indemnity obligation to Lessor for any purpose provided however, any outstanding obligations or indemnities of Lessee, including, but not limited to, those pursuant to Paragraphs 15 and 27 of this Lease existing due to Lessee's activities shall survive termination of the Lease.

10. LOAD LIMITATION. If Lessee plans to use any equipment or engage in any activity on Property which will impose loads greater than American Association of Safety and Highway Transportation Officials 20-ton standard (AASHTO H-20), Lessee shall submit the specifications of such equipment for review and written approval by Lessor five working days prior to its use.

11. IMPROVEMENTS. Except as explicitly provided in this Lease, no structures or improvements shall be constructed, renovated, rehabilitated, or maintained on the Property nor earthen fill, rock, gravel, or spoil material be placed on Property, without Lessor's written consent first had and obtained. Lessee shall not alter the topographic contour of Property without Lessor's written consent first had and obtained. For purposes of this Lease, the upgrade, replacement or repair of existing structures, which does not increase the existing structure's total square foot area more than an additional 25% (twenty-five per cent) shall not require Lessor's consent. Lessee shall assure maintenance of any and all approved structures on the site not under or part of any sublease. In the event of termination of any existing sublease and removal of any structures, Lessor and Lessee shall mutually agree on the scope of Lessee's maintenance

responsibilities relative to any remaining structures. All structures and improvements on Property at inception of lease shall be the real property of Lessor. Upon abandonment of any of the existing leaseholds on the property, Lessee shall maintain any reversionary buildings or structures, utilities, roads or parking lots in reasonable condition. Lessee shall not demolish any reversionary buildings, structures, utilities, roads, or parking lots without having obtained prior written consent of Lessor. Lessee hereby agrees to accept in their present condition the existing U. S. Forest Service structures, out structures, concrete paving, and pads (see Exhibit X) (collectively "Forest Service Structures"). Lessee agrees to maintain said structures as per mutual agreement with Lessor. Lessee specifically recognizes that hazardous or damaging conditions may exist on property, such as flooding of buildings from rain, leaking roofs, slip and fall conditions, and assumes occupancy of facilities in their "as-is" condition. Lessor does not warrant or guarantee that the Forest Service Structures on Parcel 3 (former U.S. Forest Service leasehold) are compliant with past or present municipal building codes nor that the site conforms to existing municipal drainage and grading standards. Lessor specifically discloses to Lessee that the wastewater line remaining on former U.S. Forest Service leasehold is comprised of old clay pipe that connects to a sump pump and which may require complete replacement in the event of failure. Lessee and Lessor mutually agree and acknowledge that the Forest Service Structures set forth below and identified as currently existing on Property are to remain and that as long as this Lease is in force and effect Lessee agrees to defend, indemnify, and hold harmless Lessor, its executive officers, directors, employees, agents, licensees, successors, and assigns from and against any and all claims, demands, judgments, settlements, damages, actions, causes of actions, injuries, administrative law or enforcement orders, consent agreements and orders, liabilities, penalties, costs, including, but not limited to, cleanup, remediation and response costs, due diligence costs, and all expenses of any kind whatsoever, including claims arising out of loss of life, injury to persons, property, or business or damages to natural resources, including, without limitation, the cost of attorneys' fees, arising as a result of the Forest Service Structures being left on the Property. Forest Service Structures are comprised of the following, the location of which is shown shaded yellow on Exhibit X, attached hereto:

- (1) Administration building/residence on (building V on Exhibit X).
- (2) Administration building garages and storage buildings (building A on Exhibit X).
- (3) Concrete block buildings (buildings B, C., D., E., F on Exhibit X).
- (4) Metal storage and maintenance buildings (buildings K, J, I., H on Exhibit X).
- (5) Asphalt-paved parking lot.
- (6) Subsurface, surface, and aerial utility lines.
- (7) Appurtenant structures and improvements.

ESTOPPEL: I HAVE READ AND UNDERSTAND PARAGRAPH ONE (11) "IMPROVEMENTS".

Lessee's Initials

Lessor's Initials

12. REMOVAL OF IMPROVEMENTS. All new structures and/or other new improvements placed on Property by Lessee shall be the personal property of Lessee and shall be removed by Lessee from Property by the last day of the Lease if requested by Lessor. Lessor may keep, or dispose of at Lessee's expense, any property of Lessee which Lessee fails to remove after request by Lessor. Lessee agrees to either remove or leave the Forest Service Structures at the expiration of the Lease, at the request and sole determination of Lessor. If the Lease is terminated by the Lessor prior to the expiration date of the Lease other than termination for Lessee's breach of the Lease, the Lessor assumes all cost for removal of Forest Service Structures.

13. VACATING THE PROPERTY. At the expiration of the term, or at any sooner termination of this Lease, Lessee shall quit and surrender possession of Property and its appurtenances to Lessor in as good order and condition as Property was delivered to Lessee, reasonable wear and tear and damage by the elements excepted.

14. MAINTENANCE. Lessee, at its sole cost and expense, shall provide property management functions and shall keep Property free of noxious weeds, overgrowth of vegetation, trash and soil erosion. Upon abandonment of any of the existing leaseholds on the property, Lessee shall maintain any reversionary buildings or structures, utilities, roads or parking lots in reasonable condition. Lessee shall not demolish any reversionary buildings, structures, utilities, roads, or parking lots without having obtained prior written consent of Lessor. Lessee shall submit any requested plan for change of use to Lessor for approval, which approval shall not be unreasonably withheld. Lessor shall provide written response to Lessee's request within 45 (forty-five) days. Lessee shall comply with all applicable laws and regulations concerning the use of Property.

15. HAZARDOUS SUBSTANCES. For purposes of this Lease, the term "Hazardous Substances" means: (a) any substance, product, waste, or other material of any nature whatsoever which is or becomes listed, regulated, or addressed pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 United States Code Section 9601 et seq.; the Resources Conservation and Recovery Act, 42 United States Code Section 6901 et seq.; the Hazardous Materials Transportation Conservation and Recovery Act, 42 United States Code Section 1801 et seq.; the Resources Conservation and Recovery Act, 42 United States Code Section 6901 et seq.; the Clean Water Act, 33 United States Code Section 1251 et seq.; the Toxic Substances Control Act, 15 United States Code Section 2601 et seq.; the California Hazardous Waste Control Act, Health and Safety Code Section 25100 et seq.; the California Hazardous Substance Account Act, Health and Safety Code Section 25330 et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code Section 25249.5 et seq.; California Health and Safety Code Section 25280 et seq. (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code Section 25170.1 et seq.; California Health and Safety Code Section 25501 et seq. (Hazardous Materials Release Response Plans and Inventory); or the California Porter-Cologne Water Quality Control Act, Water Code Section 13000 et seq., all as amended (the above-cited California state statutes are hereinafter collectively referred to as "the State Toxic Substances Laws"); or any other federal, state, or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance, now or at any time hereafter in effect; (b) any substance, product, waste or other material of any nature whatsoever which may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance or strict liability or under any reported decisions

of a state or federal court; (c) petroleum or crude oil, other than petroleum and petroleum products which are contained within regularly operated motor vehicles; and (d) asbestos; (e) excepting (1) those consumer and professional products which may contain hazardous substances, as defined above, and are generally used in the maintenance and operation of equine and equestrian facilities, and/or open park lands; and (2) hazardous substances, as defined above, that are produced by animals in the normal course of operation of equine and equestrian facilities.

a. Lessor does not warrant or represent that as of the date hereof there are no Hazardous Substances in or about Property and that Property and improvements thereon do not violate any applicable Federal, State or local statutes, ordinances, regulations, rules or other requirements, and that there is not presently pending any proceeding before any Federal, State or local tribunal or agency, the outcome of which would diminish or preclude Lessee's use of Property as permitted under the terms of this Lease. Except as so provided, Lessor makes no warranty or representation whatsoever concerning Property, including without limitation, the condition, fitness or utility for any purpose thereof, any improvements thereto or personal property located thereon, or compliance thereof with applicable laws, ordinances or governmental regulations; and the Lessee's right to use Property is strictly on an "as is," basis with all faults; and Lessor hereby disclaims all other warranties whatsoever, express or implied, regarding the condition of the soil (or water), geology, and any warranty of merchantability or habitability or fitness for a particular purpose.

(1) Lessor specifically recognizes that hazardous substances may exist, or in fact do exist, at the site from the source set forth below. The presumption that hazardous substances exist at the Property may be rebutted by substantial scientific evidence provided by the Lessor prior to execution of the Lease. Lessor specifically agrees to defend, indemnify, hold harmless Lessee and its officers, employees, contractors, agents, and sub lessees from any claims, liability, injury, damage, costs, or expenses (including, without limitation, the cost of attorney's fees) arising as a result of the presence of hazardous substances from the following identified sources and any unknown source which pre-dates occupation of the property by the Lessee or which migrates into the property from an off site source. The foregoing indemnity is intended to operate as an agreement pursuant to section 107, subdivision (e) of CERCLA, 42 US Code section 9607, subdivision (e), and to California Health and Safety Code Section 25364, to insure, protect, hold harmless and indemnify Lessee from any liability not created by Lessee. However, Lessor shall not hold Lessee harmless or assume any loss or liability emanating or resulting from breach of provisions of this Master Lease, tortuous actions of Lessee, or negligence of Lessee, its employees, agents, contractors, or subcontractors.

Lessee hereby notifies Lessor that Lessee is informed, and on that basis believes, that contamination exists at the property from the following sources: (i) A release from underground storage tanks and subsequent cleanup begun on or about 1989; and (ii) The Jet Propulsion Laboratory Superfund Site, as listed on the National Priorities List. Lessee specifically recognizes that hazardous substances may exist in remaining buildings and improvements on former U.S. Forest Service facilities, or in fact do exist at the site, such as asbestos, poly vinyl chloride carpets, mold, unsafe ventilation, or other unknown substances and conditions. Lessee specifically recognizes that hazardous or damaging conditions may exist on property, such as flooding of buildings from rain, leaking roofs, and assumes occupancy of U.S.

Forest Service facilities in their "as-is" condition. Lessor does not warrant or guarantee that the structures on the former U.S. Forest Service leasehold are compliant with past or present municipal building codes nor that the site conforms to existing municipal drainage and grading standards. Lessor specifically discloses to Lessee that the wastewater line remaining on the former U.S. Forest Service leasehold is comprised of old clay pipe that connects to a sump pump and which may require complete replacement in the event of failure. Cost for any future replacement of said wastewater drain line shall be borne one-half by Lessor and one-half by Lessee in the event that replacement is determined to be needed.

Lessor hereby notifies Lessee that Lessor is informed, and on that basis believes, that contamination may exist at the property from the following sources: (i) a release from underground storage tanks and subsequent cleanup begun on or about 1989, exact location of which is unknown; and (ii) from the adjacent The Jet Propulsion Laboratory Superfund Site, as listed on the National Priorities List.

Lessee acknowledges that the making and continued effectiveness of Lessor's obligations under this lease are not expressly conditioned upon the fact that the Property is free of contamination by Hazardous Substances.

b. Except as otherwise specifically permitted under the terms of this Lease, Lessee shall not use, create, store or allow any Hazardous Substances on Property. Fuel and other Hazardous Substances stored in a motor vehicle or helicopter for the exclusive operation of such vehicle and storage batteries used for emergency power are excepted.

c. In no case shall Lessee cause or allow the deposit or disposal of any such Hazardous Substances on Property.

d. No underground storage tanks shall be installed on Property without written permission of Lessor.

e. Lessor or its officers, employees, contractors, or agents shall at all times have the right to go upon and inspect Property and the operations conducted thereon to assure compliance with the requirements herein stated. This inspection may include taking samples for chemical analysis of substances and materials present and/or testing soils on Property and taking photographs. Lessor shall notify Lessee if such inspections are to take place at least 24 hours prior to inspection.

f. Lessee shall, within a reasonable time, either prior to the release by Lessee or following the discovery by Lessee of the presence of, or believed presence of, a Hazardous Substance as defined herein, give written notice to Lessor in the event that Lessee knows or has reasonable cause to believe that any release of a Hazardous Substance has come or will come to be located on or beneath the subject Property. The failure to disclose in a timely manner the release of either a material amount of Hazardous Substance or an amount which is required to be reported to a state or local agency pursuant to law (e.g., California's Hazardous Materials Storage and Emergency Response Act, Health and Safety Code Section 25550 et seq.) may subject Lessee to a default under this Lease in addition to actual damages and other remedies provided by law. Lessee shall immediately clean up and completely remove all Hazardous

Substances placed by Lessee, or sublessees after transfer of subleases to Lessee on Property, in a manner that is in all respects safe and in accordance with all applicable laws, rules and regulations; or shall diligently require that any sub lessees do so, as appropriate.

Lessor shall, within a reasonable time, either prior to the release by Lessor or following the discovery by Lessor of the presence of, or believed presence of, a Hazardous Substance as defined herein, give written notice to Lessee in the event that Lessor knows or has reasonable cause to believe that any release of a Hazardous Substance has come or will come to be located on or beneath the subject Property. The failure to disclose in a timely manner the release of either a material amount of Hazardous Substance or an amount which is required to be reported to a state or local agency pursuant to law (e.g., California's Hazardous Materials Storage and Emergency Response Act, Health and Safety Code Section 25550 et seq) may subject Lessor to a default under this Lease in addition to actual damages and other remedies provided by law. Lessor shall immediately clean up and completely remove all Hazardous Substances placed by Lessor, or sublessees after transfer of subleases to Lessee on Property, in a manner that is in all respects safe and in accordance with all applicable laws, rules and regulations, or shall diligently require that any sub lessees do so, as appropriate.

g. Lessor and Lessee shall mutually disclose to each other the specific information regarding Lessor's or Lessee's disposal of any Hazardous Substances placed on Property by Lessor or Lessee and provide written documentation of its safe and legal disposal.

h. Breach of any of these covenants, terms, and conditions shall give Lessor the authority to immediately terminate this Lease and/or to shut down Lessee's operations thereon, pending rectification of the breach, in which case, Lessee will continue to be liable under this Lease to remove, and mitigate all Hazardous Substances placed by Lessee on Property. Lessee shall be responsible for, and bear the entire cost of removal and disposal of all Hazardous Substances introduced to the Property by Lessee during Lessee's period of use and possession of Property. Lessor may pass through to Lessee respectively any and all costs of removal and mitigation of Hazardous Substances incurred by Lessor as a result of Lessee's activities on Property. Notwithstanding the foregoing, Lessee shall be responsible for any removal mitigation or decontamination, on or off Property necessitated by the presence of such Hazardous Substances placed on Property by Lessee. Upon termination of this Lease, Lessee is required, in accordance with all laws, to remove from Property any equipment or improvements placed on Property by Lessee that could be contaminated by Hazardous Substances.

i. Each party shall defend, indemnify and hold the other party's officers, employees, contractors or agents harmless from any claims, liability, injury, damage, costs, or expenses (including, without limitation, the cost of attorneys' fees) arising as a result of the presence or use of any Hazardous Substances on the Property, for which the Party is responsible, during the term of this Lease. The foregoing indemnity is intended to operate as an agreement pursuant to Section 107, subdivision (e) of CERCLA, 42 United States Code Section 9607, subdivision (e), and to California Health and Safety Code Section 25364, to insure, protect, hold harmless and indemnify Lessor and Lessee from any liability created by the Lessor or Lessee pursuant to such sections. This obligation shall survive expiration or early termination of this Lease.

I HAVE READ AND UNDERSTAND PARAGRAPH 15 HAZARDOUS SUBSTANCES.

Lessor's Initials

Lessee's Initials

16. RESOURCE CONSERVATION AND MANAGEMENT. Lessee's right to use Property strictly on an "as is" basis with all faults includes Lessee's responsibility and obligation to adhere to, comply with, and obey all federal, state, or local rules, laws and regulations applicable due to the presence of any environmentally sensitive habitat or endangered species located on the Property. Lessee shall not operate or maintain the Property in violation of any federal, state, or local laws regulating environmentally sensitive habitat or endangered species. In the event of such violation, Lessee agrees to indemnify, defend, and hold harmless Lessor for any and all violations of federal, state, or local laws regulating environmentally sensitive habitat or endangered species. LESSEE SHALL ASSUME FULL RESPONSIBILITY FOR REMOVAL OF ANY HAZARDOUS SUBSTANCES FROM EXISTING STRUCTURES IT REQUESTS TO REMAIN ON PREMISES.

17. ACCESS. Lessee shall provide and maintain uninterrupted vehicular access in and across Property to Lessor and its employees, agents and contractors. If applicable, Lessee shall provide a means for Lessor to place its locks on gates.

18. ENTRY BY OWNER. Lessee shall permit Lessor to enter upon Property at any reasonable time for the inspection thereof, or at any time in connection with any work, which may be required thereon.

19. PREVIOUS LEASES. In the event there is any existing lease between Lessee and Lessor (or its predecessor-in-interest) covering Property, it is agreed and understood that this Lease shall cancel, supersede and terminate said prior lease as of the effective date of this Lease.

20. ASSIGNMENTS OR SUBLETTING. Lessee shall not assign this Lease nor sublet Property, without the prior written consent of Lessor, and a consent by Lessor to one assignment shall not be deemed to be a consent to any subsequent assignment or subletting. Any assignment or subletting without the written consent of Lessor shall be void and shall, at the option of Lessor, terminate this Lease. Lessee takes this Lease subject to the existing leases by and between Lessor and Rosebowl Riders, Inc., and Los Angeles County Fire Department which leases are hereby assigned by Lessor to Lessee.

21. SUBLEASE RENEWALS Lessee hereby agrees to renew the existing lease on the Property to Rose Bowl Riders, Inc. The provisions of this Master Lease shall take precedence over prior forms of lease provided however, that notwithstanding Lessee's responsibility for maintenance and upkeep of the Property pursuant to the Lease, the existing subleases shall be amended if necessary to place responsibility with the sub lessee for the following: (1) maintenance of the sublease premises; (2) restoration of the sublease premises on termination; (3) hazmat placed on the sublease premises during their occupancy; (4) rent escalation clauses and (5) insurance requirements similar to those of this Master Lease. Said terms and conditions of any subsequent leases entered into between Lessee and any sub lessees shall be mutually agreeable between Lessor and Lessee.

22. TAXES. The possessory property interest created by this Lease may be subject to property taxation, and Lessee may be subject to the payment of property taxes levied on such interest by the County. Lessee is required to pay any such tax directly to the County.

23. MECHANICS' LIENS. Lessee shall keep Property free from any liens arising out of any work performed, material furnished, or obligations incurred by Lessee, or any tenant or subtenant thereof.

24. WAIVER. The waiver by Lessor or Lessee of any breach of any term, covenant, condition or provision, hereinafter referred to as Terms, contained herein, shall not be deemed to be a waiver of such Terms of any subsequent breach of the same or any other Terms contained herein. The subsequent acceptance of rent by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any Terms of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. ATTORNEYS' FEES. The prevailing party in any action brought by either party hereto, based on any claim arising under this Lease, shall be entitled to reasonable attorneys' and/or consultants' fees.

26. LIABILITY INSURANCE. Lessee shall assure that Sub lessee Rose Bowl Rider's, Inc., has furnished insurance in the minimum amount of \$1 million in accordance with the form of certificate of insurance attached hereto as Exhibit "C" as long as the lease is in effect; and that Sub lessee Los Angeles County Fire Department has furnished Lessee and Lessor with a letter evidencing the establishment of its self insurance program, attached hereto as Exhibit "D." This program shall remain in full force and effect during the term of this lease. A review of the insurance coverage will be made every 2 years in order to adjust the coverage to be commensurate with the appropriate insurance coverage existing for similar type leaseholds at the time of review. Failure to maintain a current Certificate of Insurance on file with Lessor evidencing such insurance shall be cause for termination. Said insurance shall meet the following criteria:

- a. Remain in effect throughout the term of this Lease and any renewals thereof,
- b. Name Lessor as additional insured,
- c. Shall obligate the insurance carrier to provide not less than a 30-day notice of cancellation or material change to Lessor affecting the coverage of the policies.

Lessee may occasionally, with written consent of Lessor, issue a license or permit for use of the Property, or may contract for services. If Lessee requires such licensee, permittee, or contractor to obtain liability insurance with Lessee as an additional insured, Lessee shall cause such party to also endorse Lessor onto the policy as an additional insured.

In the event of termination of any Approved Sublease, and for any exercise of control over the leased premises by Lessee, Lessor shall accept Lessee's self-insurance program. Lessee is a self-insured public entity with a self-administered liability insurance program. Certification of the self-insurance program is not required. Should Lessee change its program and become insured,

become a member of a risk-sharing program equivalent to an insurance company, or purchase insurance covering risk on the leased premises, Lessee agrees to cause endorsement of any liability policy or program document to include Lessor as an additional insured for liability arising from this Lease, and to certify coverage subject to a 30 day notice of material change or cancellation (except for non-payment of premium where the policy allows only a 10 day notice).

Lessee agrees to waive subrogation for damages arising from payment by it, on its behalf, or by its insurer, arising from any workers' compensation claim by an employee of Lessee injured on the leasehold premises in the course and scope of employment.

Lessor agrees to waive subrogation for damages arising from payment by it, on its behalf, or by its insurer arising from any workers' compensation claim by an employee of Lessor injured on the leasehold premises in the course and scope of employment.

27. ASSUMPTION OF RISK AND INDEMNITY. Lessee assumes all risk of loss to itself, which in any manner may arise out of its use of Property under this Lease and hereby agrees to indemnify and defend Lessor and its directors, officers, and employees against any liability and expense, including the reasonable expense of legal representation whether by special counsel or by Lessor's staff attorneys, resulting from injury to or death of any person, or damage to any property, including property of Lessor, or damage to any other interest of Lessor, including, but not limited to, suit alleging noncompliance with any statute or regulation which in any manner may arise out of the issuing of this Lease, or use by Lessee of Property, or any adjoining land used with Property, except for damage or injury caused by intentional misconduct or gross negligence of Lessor. Lessor shall have the right to select such special counsel in its sole and absolute discretion.

Lessor assumes all risk of loss to itself, which in any manner may arise out of its use of Property under this Lease and hereby agrees to indemnify and defend Lessee and its duly elected public officials, directors, officers, and employees against any liability and expense, including the reasonable expense of legal representation whether by special counsel or by Lessee's staff attorneys, resulting from injury to or death of any person, or damage to any property, including property of Lessee, or damage to any other interest of Lessee, including, but not limited to, suit alleging noncompliance with any statute or regulation which in any manner may arise out of the issuing of this Lease, or use by Lessor of Property, or any adjoining land used with Property, except for damage or injury caused by intentional misconduct or gross negligence of Lessee. Lessee shall have the right to select such special counsel in its sole and absolute discretion.

28. AMENDMENTS. The provisions of this Lease may be amended by mutual written consent of the parties hereto.

29. SECURITY DEPOSIT. This paragraph intentionally left blank.

30. NO RELOCATION ASSISTANCE. Lessee acknowledges that Lessee is not entitled to relocation assistance or any other benefits under the Uniform Relocation Assistance Act or any other applicable provision of law upon termination of this Lease.

31. TIME. Time is of the essence of this Lease.

32. NOTICES. All notices, certification of insurance, and or demands required or permitted to be given to Lessor hereunder shall conspicuously bear the legend "NOTICE UNDER ARROYO SECO FILTRATION PLANT LEASE R.L. No. 1921" and Lessee's identification file number, code or ID on the notice itself and on the envelope containing the notice, shall, until contrary instructions are given to Lessee in writing, be effectively given to Lessor when delivered simultaneously by hand or mailed by registered or certified mail, return receipt requested, to Lessor, Attention: Asset Management, The Metropolitan Water District of Southern California, P.O. Box 54153, Los Angeles, California 90054-0153.

33. LESSEE ATTORNTMENT. Lessee agrees to continue paying rent to Lessor in the event of a Subtenant default.

34. LIMITATION OF LESSEE'S RIGHTS. Lessee shall not enter into any lease renewals, extension options, lease terminations, expansion options, or revenue sharing arrangements with Sub lessee(s), or process land use entitlements on Property, without review of same and written approval of Lessor first being obtained, nor shall Lessee assign this Lease without written approval of Lessor. Lessee hereby acknowledges the existing leases with Rose Bowl Riders, Inc. and Los Angeles County Fire Department. Lessee hereby agrees to lease Property subject to leases with the aforementioned two (2) entities. Lessee shall not terminate any subleases without first having obtained written consent from Lessor. All provisions of this Lease shall pertain to any Sublease(s).

35. RESERVATION FOR RETAINED RIGHTS OF REMOVAL. Lessor has the right, but not the obligation, to remove prescribed portions of Property from encumbrance of the Lease as shown as Parcel ___ in Exhibit A, for use by Foothill Municipal Water District ("Foothill") at a future date under a separately created property interest for the location and construction of a substantially underground reservoir storage facility with appurtenant piping, pump station, etc. ("Reservoir Facility"), upon Lessor giving 180-days notice in writing to Lessee of same. Said removal of portions of Property from Lease shall be expressly conditional upon Foothill obtaining approval of the Metropolitan Water District of Southern California's Board of Directors and all requisite jurisdictional and environmental approvals for its proposed facilities. The precise location and amount of land to be reallocated is subject to (1) final engineering plans and specifications for the proposed Reservoir Facility, including the likely necessity to realign the internal access roads and to construct pipelines across Property to said Reservoir Facility; and (2) mutual agreement of Lessor, Lessee, and Foothill. The location of the Reservoir Facility shall be as shown as Parcel in Exhibit A, or as may be adjusted with the concurrence of Lessor, Lessee and Foothill to accommodate Foothill's Reservoir Facility at a location which not only accommodates technical requirements of the Reservoir Facility but also, where feasible, minimizes the impact to existing facilities infrastructure and landscaping. All associated costs to reconfigure the leasehold improvements to realign the existing internal access

roads, to reconfigure utilities, to construct any required offsite infrastructure improvements, or relocations, including obtaining all environmental and jurisdictional clearances and any attendant mitigation costs, and any project costs whatsoever of the Reservoir Facility shall be totally borne by Foothill. Notwithstanding any provision in the Lease to the contrary, Lessee consents to such use by Foothill if approved by Lessor.

Date Executed: _____

Lessor's Mailing Address:
Post Office Box 54153
Los Angeles, CA 90054-0153
Attention: Real Estate Services
Telephone: (213) 217-7750

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Ronald R. Gastelum
Chief Executive Officer

By _____
Ronald R. Gastelum
Chief Executive Officer

Lessor

Date Executed: _____

Lessee's Mailing Address:

CITY OF PASADENA, a municipal corporation

Attn: Parks/Recreation Department
Natural Resources
Telephone () _____

By _____
CYNTHIA J. KURTZ
City Manager