

- Real Estate Activities – Quarterly
Report Ending March 2006

Summary

This report provides an update on real estate activities for the period from January through March 2006.

Attachments

Attachment 1	Requests for long-term leases and licenses by others to use Metropolitan-owned land
Attachment 2	Requests for easements by others to use Metropolitan-owned land
Attachment 3	Deeds and Grants accepted by Metropolitan to use others' privately-owned real property
Attachment 4	Leases and Permits granted to others to use Metropolitan-owned land
Attachment 5	Deeds granted to others that provide for compatible uses of Metropolitan-owned land or sale of surplus property

Detailed Report

Accomplishments

Requests for Long Term Leases and Licenses

During the second quarter of fiscal year 2005/06, there were six requests for a long-term leases or licenses greater than one year as shown on [Attachment 1](#). The attachment is divided into categories based on request types (e.g. infrastructure improvements, parking and landscaping, agricultural, or parks and recreation). Leases are generally considered on Metropolitan-owned properties that are not appropriate to be declared surplus due to underlying Metropolitan pipelines or operational needs. Leasing provides an opportunity to defray operations and maintenance costs. Fees and rents to be charged are determined during the appraisal process, which occurs after all the operational and technical issues are addressed, maps and exhibits are prepared, and the general terms, limitations, and conditions have been agreed upon. These fees and rents require a current appraisal and take into consideration any mutual benefits that Metropolitan may receive from the lease or license. Metropolitan generally uses a license in circumstances that require direct and discretionary ability for Metropolitan to "reacquire" possession of the property for operations, business, or security needs, or where it is essential to have interruptible control of the property regarding future transfer of the conveyed rights. A license, by definition, merely provides a personal privilege to carry out some particular act on the land that is both compatible and a secondary use. One principal object of the license is to protect against any misuse of the property by the licensee. This protection is accomplished by binding the licensee to promises to observe and respect Metropolitan's paramount and prior rights. The licensee does not possess any estate or interest in the land. A license is typically revocable at the will of the licensor (Metropolitan), is not assignable, and in general provides far fewer rights to the acquiring party than does a lease.

There were six requests for long term leases and/or licenses during this reporting period. One request is from Crown Castle Corporation to assign and amend an existing license for access to a telecommunications site at Red Mountain Power Plant. This location has been subject to unresolved litigation wherein Metropolitan may need to unilaterally modify the terms of use in the future. Another request is from Shell Oil Company to extend an existing 10-year license for nine additional years for a ground water treatment plant at Metropolitan's Venice Pressure Control Facility. Metropolitan previously issued the existing license and will need to retain direct and immediate control over the uses at the site. Two lease requests are from Cingular Wireless and T-Mobile Wireless for telecommunications facilities and/or access to the site. Pine Trails Partners, LLC is requesting a lease for a passive greenbelt park for an adjacent residential development. This use is not a regulatory

Board Report (Real Estate Activities – Quarterly Report Ending March 2006)

requirement for the private development. There is a request from HayDay Farms to lease 7,000 acres of Metropolitan-owned land for farming in Riverside and Imperial Counties. The property was formerly leased by Tohshin Trading Company.

All six requests meet the standard terms and conditions as approved by the Board, which include: a) Metropolitan holds paramount rights to use the property; b) lease provides only secondary uses and is not required by Lessee for primary conditions or permits; c) Metropolitan has unconditional right to enter and inspect the Property; d) no hazardous substances allowed; e) compensation and rent based on market appraisal; f) term length less than ten years or identified in board report; g) cancellation clause for one year or less; h) lessee responsible for maintenance; i) lessee pays all applicable taxes, e.g. business and possessory taxes; j) lessee indemnifies Metropolitan and provides hold-harmless clause and/or provides liability insurance; k) any tenant provided improvements require prior written Metropolitan approval; and l) compliance required for local, state, federal statutes and ordinances.

Requests for Easements

Attachment 2 lists the recent requests for easements and other durable property interests. The attachment is divided into categories based on request types (e.g., infrastructure improvements, parking and landscaping, agricultural, or parks and recreation). These requests are also generally considered on properties that are not appropriate to be declared surplus due to underlying Metropolitan pipelines or operational needs. There are four easement requests from public agencies. There are also five easement requests to provide future utility service to the three existing leaseholds at Diamond Valley Lake on an as-needed basis as these sites continue to be developed. The existing tenants are Valley-Wide Recreation and Park District, Western Center Community Foundation and The Center for Water Education. These easements conform to the standard terms and conditions as approved by the Board.

Deeds and Grants Accepted by Metropolitan

During the reporting period, 15 easements were executed for the Palo Verde Irrigation District (PVID) Forbearance and Fallowing Program. These easements were for land areas totaling 1,250 Water Toll Acres. A Listing of all deeds and rights accepted from others during the reporting period is included as **Attachment 3**.

One entry permit was acquired for access from TDK Electronics Corporation in connection with the Second Lower Cross Feeder Pipeline Project.

Metropolitan received three permanent easements for access purposes from Mountain View Desert Hot Springs Venture, LLC and Senior Corp. The easements provide improved access to Metropolitan's Colorado River Aqueduct property north of an adjacent private development.

A single family residence was leased for a one-year term to house the emergency operations responder in close proximity to the OC-88 pump station to ensure reliable operations through the completion of facility upgrades and operations start-up. The OC-88 pump station takes water from the Allen McColloch Pipeline and boosts the water pressure before it is delivered into the South County Pipeline. The South County Pipeline is owned and operated by the Metropolitan Water District of Orange County. The emergency responder to this site was formerly living at a Metropolitan housing facility in the city of Buena Park. As a cost saving measure to reduce travel and overtime, a suitable residence in close proximity to the OC-88 facility was needed. This new housing facility is located in Lake Forest and is within a 5 minute response time to the OC-88 facility.

Metropolitan acquired one entry permit from Smith & Reynolds Erosion Control, Inc. for investigations and reconnaissance activities in connection with the purchase of property south of Chemical Unloading Facility.

Leases and Permits Granted to Others

Two leases and one entry permit amendment were executed during the reporting period. The entry permit amendment issued to Riverside County Flood Control allowed access onto Metropolitan's property. One lease was to River Valley Ranches for agricultural purposes and participation in Metropolitan's PVID Forbearance and

Board Report (Real Estate Activities – Quarterly Report Ending March 2006)

Following program for the purpose of conserving water for diversion and use within Metropolitan's service area. [Attachment 4](#) is a listing of these agreements which grant others the use of Metropolitan-owned lands.

Deeds Granted to Others

[Attachment 5](#) lists one grant deed, one quitclaim and two easements granted by Metropolitan during this reporting period.

Additional Accomplishments

- Staff completed the disposition of the eleventh residential property near Diamond Valley Lake which was previously designated surplus.
- Entered escrow to purchase 16.5 acres of land south of Metropolitan's Chemical Unloading Facility in the City of Perris. Ownership of this property will help to increase the desired security buffer around the facility.
- Entered into a 10-year, 3-month lease with The National Association of Realtors for 1,598 square feet of office space located in Washington, D.C. This new office lease will replace Metropolitan's existing lease expiring July 8, 2006.
- Entered into Equipment Removal and Temporary Relocation Agreement with Mountain Union Telecom to remove and relocate their facilities from the Diemer Filtration Plant West Washwater Tank. This agreement was needed in order to perform the maintenance required on the washwater tank.

Future Goals

- Continue to update the Board on proposed City of Hemet annexation of Warren Road properties at Diamond Valley Lake
- Continue disposition activities on previously designated surplus property located along Gavilan Road near Lake Mathews
- Identify performance measures and benchmarks
- Make regular review of Metropolitan's existing real properties to determine and identify opportunities to defray ownership costs and realize possible future revenue
- Continue to develop policies and strategies for real property acquisition and management to provide for future water operations needs and to ensure right of way acquisition and protection
- Report on performance measures
- Present requested annexations for Board consideration

**Requests for Long Term Leases and License by Others
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006**

LESSEE NAME	ENTITY TYPE	ACREAGE	TYPE	TERM (YRS)	FEE	STANDARD CONDITIONS MET (Y/N)	COMMENTS
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Infrastructure Improvements (fencing, utilities, access)

Cingular Wireless (RL2451)	Private	0.01 acre	Lease	25 years (1)	\$2,000/month (2)	Yes	Telecommunications facilities on south side of Live Oak Reservoir in a separate secured area
Crown Castle International Corp. (RL 923)	Private	0.9 acres	License	Year to Year	TBD (3)	Yes	Assignment and amendment to license for access to telecom site on parcel adjacent to MWD property at Red Mountain Power Plant
Omni-Point Communications dba T-Mobile Wireless (RL2478)	Private	0.01 acre	Lease	25 years (1)	\$2,000/month (2)	Yes	Telecommunications facilities outside Jensen Water Treatment Plant in a separate secured area
Shell Oil Company (RL1658)	Private	0.348 acre	License	9 years	\$30, 300/year (4)	Yes	Extension of lease for lessee's ground water treatment plant at Metropolitan's Venice Pressure Control Facility from original 10-year term ending 11/30/07

Parks and Recreation

None							
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Parking and Landscaping

Pine Trails Partners, LLC (RL 2470)	Private	1.783 acres	Lease	30 years	TBD (3)	Yes	Proposed greenbelt park for adjacent residential development. This passive greenbelt park is not a condition of the private development.
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Agricultural

HayDay Farms, Inc. (RL 2480) (5)	Private	7,000 acres	Lease	10 Years	\$791,760/year (6)	Yes	Replaces terminating Tohshin Trading farm lease (RL 2467) with new lessee, standard terms and conditions and market rent.
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TBD = To be Determined

- (1) Initial term of 5 years, plus option to renew 4 additional periods of 5 years each for a total of 25 years
- (2) Annual adjustment of 4%
- (3) Market rent to be based on appraisal and standard \$1,500 processing fee
- (4) Annual CPI adjustment (4.5% ceiling)
- (5) Will come to MWD board for action in July 2006
- (6) Subject to fair market value appraisal

**Requests for Easements by Others
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006**

LESSEE NAME	ENTITY TYPE	ACREAGE	TYPE	TERM (YRS)	FEE	STANDARD CONDITIONS MET (Y/N)	COMMENTS
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Infrastructure Improvements (fencing, utilities, access)

Claremont, City of (2350)	Public	0.15 acre	Easement	Permanent	TBD (1)	Yes	Utilities crossing within Rialto Feeder right-of-way to facilitate adjacent residential homesite
Rainbow Municipal Water District (RL 2471)	Public	0.72 acre	Easement	Permanent	\$6,200	Yes	Installation of 8-inch water line
Riverside County Flood Control and Water Conservation District (RL 2262)	Public	0.04 acre	Easement	Permanent	\$9,600	Yes	Storm Drain (2)
San Jacinto, City of (RL 2330)	Public	0.459 acre	Easement	Permanent	TBD (1)	Yes	Public road & utilities to residential tract development
Adelphia Communications	Private	TBD	Easement	Permanent	\$0 (3)	Yes	Utility service to existing tenants in DVL east recreation area (3)
Eastern Municipal Water District	Public	TBD	Easement	Permanent	\$0 (3)	Yes	Sewer, domestic water and reclaimed water lines to existing tenants in DVL east recreation area (3)
Southern California Edison Co.	Private	TBD	Easement	Permanent	\$0 (3)	Yes	Utility service to existing tenants DVL east recreation area (3)
The Southern California Gas Co.	Private	TBD	Easement	Permanent	\$0 (3)	Yes	Utility service to existing tenants in DVL east recreation area (3)
Verizon Communications	Private	TBD	Easement	Permanent	\$0 (3)	Yes	Telephone services to existing tenants in DVL east recreation area (3)

Parking and Landscaping

None							
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Agricultural

None							
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TBD = To be Determined

(1) Market rent to be based on appraisal and standard \$1,500 processing fee

(2) Storm drain was constructed in 1999 by Riverside County Flood Control and Water Conservation District. Permanent rights were not conveyed to Riverside County Flood Control and Water Conservation District at that time. Appraisal completed on October 19, 2005.

(3) Existing tenants are Valley-Wide Recreation and Park District, Western Center Community Foundation and The Center for Water Education. As these leasehold sites continue to be developed, MWD (as landowner) must grant the utility easements necessary for the tenants to make use of the leaseholds in the manner contemplated by the lease agreements. No compensation is required due to the fact the tenants are providing consideration to MWD for the use of the leased property and that consideration includes the use by the utilities necessary for the tenant's improvements.

**Deeds, Grants and Leases Accepted
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006**

GRANTOR	ACREAGE	TYPE	TERM	USE	RECORDING DATE	COSTS
Awalt Family Farms L.P.	63 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	2/13/2006	\$ 99,855 ⁽²⁾
ChasSan Properties LLC	226 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	12/29/2005	\$ 358,210 ⁽²⁾
Chauce W. Hamilton and Doris J. Hamilton, Trustees	28 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	2/24/2006	\$ 44,380 ⁽²⁾
D&B Fisher, LLC	163 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	1/27/2006	\$ 258,355 ⁽²⁾
Daniel Robinson Catherine Robinson and Betty L. Blackwood	26 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	1/27/2006	\$ 41,210 ⁽²⁾
David Brown Peggy Brown and Steven Van Sickle	28 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	1/27/2006	\$ 44,380 ⁽²⁾
Dianna Faye Gray and Karen Rene Chaney	12 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	2/21/2006	\$ 19,020 ⁽²⁾
Eric W. Stroschein, an unmarried man, Peggy A. Brown, a widow and Stanley Wayne Stroschein and Gloria J. Stroschein, Co-Trustees et al.	146 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/24/2006	\$ 231,410 ⁽²⁾
Juanita A. Bryant, Trustee	21 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	2/9/2006	\$ 33,285 ⁽²⁾
Peggy A. Brown, a widow and Stanley Wayne Stroschein and Gloria J. Stroschein, Co-Trustees et al.	72 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/24/2006	\$ 114,120 ⁽²⁾
Peggy A. Brown, a widow and Stanley Wayne Stroschein and Gloria J. Stroschein, Co-Trustees et al.	32 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/29/2006	\$ 50,720 ⁽²⁾
Richard W. Dill, Angelina A. Dill	21 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	2/10/2006	\$ 33,285 ⁽²⁾
Rovey Land and Cattle Company Inc.	363 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/30/2006	\$ 575,355 ⁽²⁾
Stanley Wayne Stroschein and Gloria J. Stroschein, Co-Trustees et al.	11 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/29/2006	\$ 17,435 ⁽²⁾
Wilford B. Lindley and Vivien V. Lindley Trustees et al.	38 acres ⁽¹⁾	Easement	35 Years	PVID Crop Rotation and Forbearance Program	3/10/2006	\$ 60,230 ⁽²⁾
David Goodwill and Shirley Goodwill	2,400 s.f. SFR	Lease	1 year	Residence for OC88 emergency responder	N/A ⁽³⁾	\$2,400/month
Mountain View Desert Hot Springs Venture, LLC	7.44 acres	Easement	Permanent	Access	3/7/2006	N/A ⁽⁴⁾
Mountain View Desert Hot Springs Venture, LLC	0.31 acre	Easement	Permanent	Access	3/7/2006	N/A ⁽⁴⁾
Senior Corp.	0.014 acre	Easement	Permanent	Access	3/7/2006	N/A ⁽⁴⁾
TDK Electronics Corporation	1.085 (approx.)	Entry Permit	3 days	Geotechnical bore holes for groundwater analysis	3/7/2006 ⁽⁵⁾	N/A ⁽⁵⁾
Smith & Reynolds Erosion Control, Inc.	16.52 acres	Entry Permit	1 year	Land Survey, Environmental	N/A	N/A ⁽⁶⁾
DHS Investment Properties, LLC	3.56 acres	Quitclaim	Permanent	MWD Reclaim	1/6/2006	N/A ⁽⁷⁾

(1) Crop Rotation and Forbearance Program Easement Deeds acreage is calculated in Water Toll Acres. Water Toll Acres are defined as the plantable and growable area of land within a landowner's property. This water toll acreage is usually less than the total land acreage.

(2) Metropolitan shall pay to Grantor an initial payment of \$3,170 for each water toll acre of Landowner's Maximum Following Commitment. Participating Grantors were given five options as to how they would receive the funds. All participants reported in this quarterly report chose Option A which is a first installment of \$1,585 per water toll acre payable at the close of escrow and the balance or second installment to be paid one calendar year after the commencement date of the program. The easement costs reflected in this quarterly report represents amounts paid for the first installment.

**Deeds, Grants and Leases Accepted
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006**

(3) Effective date of lease was 3/15/06.

(4) Metropolitan is receiving three permanent easements as part of an exchange of access rights due to a neighboring development. Refer to Attachment 5, Item 2 (Mountain View Desert Hot Springs Venture, LLC).

(5) In conjunction with Second Lower Cross Feeder Pipeline Project. No compensation paid by Metropolitan because of duration of entry permit.

(6) Investigations and reconnaissance activities in conjunction with purchase of property for Chemical Unloading Facility. No compensation paid to seller due to benefits of the land purchase to Metropolitan.

(7) This transaction includes 2 Permanent Easements, 2 Entry Permits, and 1 Quitclaim Deed to the U.S. Government - BLM, and one Quitclaim to MWD. When the property was privately purchased for development, a portion (3.56 acres) of the Colorado River Aqueduct right of way was mistakenly and without Metropolitan's acknowledgement included as part of the purchase deed. To correct this error that portion wrongly conveyed by previous owner is being quitclaimed to MWD.

**Leases and Permits Granted
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006**

LESSEE	ENTITY TYPE	ACREAGE	TYPE	TERM	USE	FEE/RENT	FREQUENCY
R & J Haringa Dairy (RL 2549)	Private	17 acres	Lease	Year to Year	Cultivation of crops	\$1,000	Annual
River Valley Ranches (RL2364)	Private	2,280 acres	Lease	10 Years	Agricultural purposes for PVID Program	\$316,540	Annual
Riverside County Transportation Commission (RL 2528)	Public	87 acres	Amendment to Entry Permit	1 year	Extension of entry permit to conduct environmental studies for proposed Mid County Parkway	\$0 (1)	N/A
Total						\$317,540	

(1) Results from environmental studies being provided to Metropolitan for cooperative benefits

Deeds Granted
During 3rd Quarter of FY 2005/06
January 1, 2006 through March 31, 2006

GRANTEE	ACREAGE	TYPE	TERM	USE	RECORDING DATE	FEE/RENT	FREQUENCY
Macaluso, Richard D.	1 acre	Grant Deed	Permanent	Sale of surplus property in Hemet - MWD Parcel No. 144-1-871	2/28/2006	\$370,000	One Time
Mountain View Desert Hot Springs Venture, LLC	2.98 acre	Quitclaim	Permanent	Access route	3/7/2008	\$0 (1)	N/A
Riverside, City of	0.038 acre	Easement	Permanent	Storm drain crossing in Box Springs Feeder right of way to facilitate adjacent retail development in Riverside	3/30/2006	\$7,700	One Time
Western Municipal Water District	0.041 acre	Easement	Permanent	Water line in Box Springs Feeder right of way to facilitate adjacent development in Riverside	1/1/2006	\$1,500	One Time
Total						\$379,200	

(1) MWD exchanged through a Quitclaim, a portion of its property to Mountain View Desert Hot Springs Venture, LLC who granted MWD 3 Permanent Easements (as referenced in Attachment 3). Mountain View Desert Hot Springs Venture, LLC requested improved access to its adjacent development.