

• Real Estate Activities – Quarterly Report Ending June 2006

Summary

This report provides an update on real estate activities for the period from April through June 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

Requests Received for Secondary Uses

Requests for Long Term Leases and Licenses

During the fourth quarter of fiscal year 2005/06, there were six requests for long-term leases, licenses or agreements 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 a portion of operations and maintenance costs. Fees and rents 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.

Three of the six requests were for infrastructure improvements. One license request is from Arizona & California Railroad Company to continue utilizing an existing Metropolitan maintenance road through the Iron Mountain Pumping Plant. Verizon Wireless has a current lease at the Sepulveda Canyon Control Facility property and is requesting an amendment for an additional area and to include American Tower as a sublessee. Western Municipal Water District has an existing operations center west of Lake Mathews and is requesting a new long-term lease in order to assist in meeting future operational needs. Two additional requests are for park and recreation uses. Landmark Properties is requesting six golf cart crossings for its golf course adjoining the Colorado River Aqueduct property in City of Desert Hot Springs. The City of Temecula is requesting use of right-of-way property for public trail purposes, including non-motorized bicycle, pedestrian hiking and equestrian uses. The last request is from Rados Brothers for a license over the Colorado River Aqueduct in the City of Perris to provide overflow parking for its adjacent commercial development.

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

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provided improvements require prior written Metropolitan approval; and, l) compliance is 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 six easement requests from public agencies and one easement request from a private utility for infrastructure improvements. These easements conform to the standard terms and conditions as approved by the Board.

Completed Transactions

Deeds and Grants Accepted by Metropolitan

During the reporting period, four easements were executed for the Palo Verde Irrigation District Forbearance and Fallowing Program. These easements were for land areas totaling approximately 444 Water Toll Acres. A listing of all deeds and rights accepted from others during the reporting period is included as **Attachment 3**.

A public works permit was acquired from the City of Claremont for installation of a 96-inch diameter sectionalizing valve for the Rialto Pipeline at Indian Hill Boulevard

Metropolitan entered into a ten-year lease with The National Association of Realtors for 1,598 square feet of office space located in Washington, D.C. This new office lease replaced Metropolitan's previous lease that expired July 8, 2006.

Leases and Permits Granted

Eighteen transactions were executed during this reporting period, which included one lease, two lease amendments, two agreements, one license, ten entry permits, and two entry permit amendments. Metropolitan entered into two agreements with Mountain Union Telecom of California, LLC. The first was an Equipment Removal and Temporary Relocation Agreement to remove and relocate facilities from the Diemer Filtration Plant West Washwater Tank and the second was a Settlement and Release Agreement. Additionally, two existing leases with Mountain Union Telecom of California, LLC were amended. These were completed in order to perform the maintenance required on the washwater tank. Five other transactions were for access, three transactions were for construction activity, two transactions were for soil testing, one transaction was to conduct environmental studies, one transaction was for nursery operations and two permits were for filming and motion picture production. **Attachment 4** is a listing of these agreements that grant others a compatible secondary use of Metropolitan-owned lands. These agreements also conform to criteria adopted by Metropolitan's Board.

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Deeds Granted to Others

Attachment 5 lists one deed and one storm drain easement granted by Metropolitan during this reporting period. The grant deed to the City of Hemet is for a land dedication which satisfies mitigation described in the August 2002 Diamond Valley Lake Park Specific Plan Mitigated Negative Declaration. The Board approved this transaction on April 11, 2006 as action item 7-1. The storm drain easement is for the City of Riverside to cross the Box Springs Feeder.

Additional Accomplishments

- Diamond Valley Lake Inspection Trip on June 16 for the Asset & Real Property and Recreation Committees and the Education & Outreach Committee.
- Purchased 16.5 acres of land adjoining to the 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.
- Two service area annexations were completed. One was in the Eastern Municipal Water District 89th Fringe Area adding 22.2 acres for rural residential use and the other was in the 44th Fringe Area to Western Municipal Water District adding 14.99 gross acres for commercial use. These annexations met final approval conditions as approved by the Board.

Future Goals

- Continue to update the Board on proposed City of Hemet annexation near Metropolitan properties along Warren Road at Diamond Valley Lake
- Continue disposition activities on previously designated surplus property located on Gavilan Road near Lake Mathews
- Consider future 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
- Present requested annexations for Board consideration

**Requests for Long Term Leases and License by Others
During 4th Quarter of FY 2005/06
April 1, 2006 through June 30, 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)

Arizona & California Railroad Company (RL 2568)	Private	0.90 acres	License	TBD	\$1,500 (1)	Y	Requester would be given permission to use MWD's existing maintenance road for access through MWD's Iron Mountain facility. Renews permission for MWD to continue access across railroad right of way at Mile Post 159 when needed on a long-term basis.
Verizon Wireless / American Tower (RL 588)	Private	0.003 acre	Amendment to Lease	10 years	\$32,226/year (3)	Y	Original Lease with Verizon Wireless at the Sepulveda Canyon Control Facility property. Amendment to include American Tower as the operator of the additional area (as a sub-lessee on RL588) and term extension through July 31, 2019.

Parks and Recreation

Landmark Properties (RL 2419)	Private	TBD	Lease	TBD	TBD (2)	Y	Six golf cart crossings for golf course adjoining the Colorado River Aqueduct property in City of Desert Hot Springs
Temecula, City of (RL 2612)	Public	6.46 acres	Cooperative Agreement	TBD	TBD (2)	Y	Request use of MWD property over San Diego Pipeline Nos. 3, 4 and 5 for public trail purposes, including non-motorized bicycle, pedestrian hiking and equestrian uses
Western Municipal Water District (RL 718)	Public	TBD	Lease	55 years	TBD	Y	Property is to be used for water operations purposes and in connection with the services and authority of the Municipal Water District Law set forth in the Water Code. This Lease is subject to MWD's paramount right to use the property for its water conveyance purposes. WMWD currently leases an adjoining area.

Parking and Landscaping

Rados Brothers (RL 2560)	Private	2.686 acres	License	TBD	TBD (2)	Y	Overflow parking across Colorado River Aqueduct in the City of Perris for adjacent commercial development
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TBD = To be determined

- (1) Standard processing fee of \$1,500 will be charged. Road maintenance fees TBD. Annual rent will be waived in exchange for MWD's renewed permission for crossing access at Mile Post 159 of the railroad right-of-way.
- (2) Market rent to be based on appraisal and standard \$1,500 processing fee
- (3) Original lease rent \$26,226 per year; amendment increases rent by \$6,000 for total yearly compensation of \$32,226.

**Requests for Easements by Others
During 4th Quarter of FY 2005/06
April 1, 2006 through June 30, 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)

County Sanitation Districts of Los Angeles (RL2562)	Public	TBD	Easement	Permanent	TBD(1)	Y	Sewer easement crossing Middle Cross Feeder at Rio Honda Power Plant
Eastern Municipal Water District (RL 2092)	Public	0.136 acre	Easement	Permanent	TBD (1)	Y	Installation and maintenance of underground sewer pipeline at Colorado River Aqueduct Perris Valley Siphon
Eastern Municipal Water District (RL 2093)	Public	0.262 acre	Easement	Permanent	TBD (1)	Y	Construction and maintenance of access road to EMWD water treatment plant at Colorado River Aqueduct Perris Valley Siphon
La Habra, City of (RL2610)	Public	TBD	Easement	Permanent	TBD(1)	Y	Slope easement for construction of retaining wall at Lower Feeder, Coyote Creek Pressure Control Structure
Los Angeles, City of (RL 2601)	Public	TBD	Easement	Permanent	TBD (1)	Y	Widening of Sepulveda Boulevard north of Getty Center near the Sepulveda Canyon Pressure Control Facility
Riverside, City of (RL 2619)	Public	319 sq. ft.	Easement	Permanent	TBD (1)	Y	Traffic signal installation at the corner of Cajalco Road and Harley John Road near Lake Mathews Reservoir
Southern California Gas Company (RL 2162)	Private	12.197 acres	Amendment to Easement	Permanent	\$1,500	Y	Replacement of gas pipelines located on a portion of MWD's Hayfield property. These pipelines were previously installed in 1954 and 1970.

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

**Deeds, Grants and Leases Accepted
During 4th Quarter of FY 2005/06
April 1, 2006 through June 30, 2006**

GRANTOR	ACREAGE	TYPE	TERM	USE	RECORDING DATE	COSTS
Eaton, Richard E. Trustee of the Opal Dell Eaton Trust dated December 15, 1986 et al.	248 acres ⁽¹⁾	Easement	35 years	PVID Crop Rotation and Forbearance Program	5/17/2006	\$ 393,080 ⁽²⁾
Morton, Joe Ann Nowell	52 acres ⁽¹⁾	Easement	35 years	PVID Crop Rotation and Forbearance Program	6/20/2006	\$ 82,420 ⁽²⁾
Peix, Kathleen Miller Trustee of the Kathleen Miller Peix Separate Property Trust dtd April 12, 2001 et al	86 acres ⁽¹⁾	Easement	35 years	PVID Crop Rotation and Forbearance Program	5/16/2006	\$ 136,310 ⁽²⁾
Swanson, Phyllis R. as trustee of the Arden E. and Phyllis R. Swanson Revocable Trust dated February 24, 1989	58 acres ⁽¹⁾	Easement	35 years	PVID Crop Rotation and Forbearance Program	4/19/2006	\$ 91,930 ⁽²⁾
Claremont , City of	0.20 acre	Public Works Permit	Phase 1 09/06 - 06/07 Phase 2 09/07 - 03/08	Repairs along the Rialto Pipeline require staging and construction laydown areas	n/a ⁽³⁾	\$ 500
National Association of Realtors	1,598 sq. ft.	Office Lease	10 yrs 3 mos	New Washington, DC office for legislative affairs	3/23/2006 ⁽⁴⁾	\$ 91,000 ⁽⁵⁾

⁽¹⁾ Following 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 acre 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 four 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 following easement costs reflected in this quarterly report represents amounts paid for the first installment.

⁽³⁾ Permit executed on 6/27/2006, and is unrecorded.

⁽⁴⁾ Lease dated 3-23-06. A fully executed original of the lease was received by MWD in April.

⁽⁵⁾ First year base rent plus estimated expenses. Transaction approved by Board on December 13, 2005 as Confidential Item 8-13.

**Leases and Permits Granted
During 4th Quarter of FY 2005/06
April 1, 2006 through June 30, 2006**

LESSEE	ENTITY TYPE	ACREAGE	TYPE	TERM	USE	FEE/RENT	FREQUENCY
Brea, City of (RL2390)	Public	0.32 acre	Entry Permit	1 year (1)	Wall project along Lambert Corridor on the Lower Feeder	\$0 (1)	n/a
CalMat dba Vulcan Materials Company (RL 2387)	Private	1.155 acres	License	Year to Year	Three crossings over the Rialto Pipeline for trucks and related equipment	\$15,000	Yearly
Dreamworks Productions, LLC (RL 2482)	Private	n/a	Entry Permit	5 days	Filming at Union Station of motion picture "Blades of Glory"	\$26,278	One Time
Dreamworks Productions, LLC (RL 2623)	Private	n/a	Entry Permit	3 days	Filming at Union Station of motion picture "Transformers"	\$17,000	One Time
KB Homes Coastal, Inc. (RL2401)	Private	0.633 acre	Amendment to Entry Permit	1 year	Access for construction of road crossing and widening of existing street over the Casa Loma Canal in City of San Jacinto	\$0 (2)	n/a
Leighton & Associates, Inc. (RL2484)	Private	25.5 acres	Entry Permit	1 year	Soil testing on the Casa Loma Siphon east of Warren Road and south of Ramona Expressway in the City of Jacinto for nearby proposed detention basin	\$1,500	One Time
Lewis Operating Corp. (RL2474)	Private	2.91 acres	Entry Permit	1 year	Construction of a road and utilities on the Foothill Feeder	\$1,500	One Time
Mountain Union Telecom of California, LLC (RL 1762) (3)	Private	n/a	Agreement	n/a	Telecommunications facility at Diemer Filtration Plant	\$0 (3)	n/a
Mountain Union Telecom of California, LLC (RL 1762) (4)	Private	n/a	Agreement	n/a	Telecommunications facility at Diemer Filtration Plant	\$250,000	One Time
Mountain Union Telecom of California, LLC (RL 1772) (5)	Private	0.590 acre	Amendment to Lease	10 years	Telecommunications facility at Santa Clarita Rejection Tower	\$1 (5)	Yearly
Mountain Union Telecom of California, LLC (RL 2380) (6)	Private	664.72 sq. ft.	Amendment to Lease	10 years	Telecommunications facility at Cajalco Canyon Pressure Control Structure	\$1 (6)	Yearly
Riverside County Transportation Commission (RL 2528)	Public	87 acres	Amendment to Entry Permit	1 year	Extension of entry permit near Lake Mathews to conduct land surveys and engineering studies for proposed Mid County Parkway	\$0 (7)	n/a
Roger Snellenberger Development Corp. (RL 2392)	Private	1.022 acres	Entry Permit	1 year	Access for construction of public road and utility crossing over the Colorado River Aqueduct in the City of Desert Hot Springs	\$1,500	One Time
Roger Snellenberger Development Corp. (RL 2430)	Private	0.426 acre	Entry Permit	1 year	Access for construction of public road and utility crossing over the Colorado River Aqueduct in the City of Desert Hot Springs	\$1,500	One Time
SC Fontana Development-Lewis Homes (RL 2464)	Private	0.01 acre	Entry Permit	1 Year (8)	Construction of emergency access road on the Foothill Feeder in the City of Fontana	\$1,500	One Time
United States of America, Department of Defense (RL 2407)	Public	8,204 acres	Entry Permit	1 year	Surface and subsurface soil testing at Morris Reservoir (9)	\$0 (9)	n/a
Ventura County Resource Conservation District (RL2420)	Public	7.78 acres	Entry Permit	6 months	Access for removal of non-native, invasive plant species over the Foothill Feeder in the City of Santa Clarita	\$1,500	One Time
West Covina Wholesale Nursery (RL 2398)	Private	1.61 acres	Lease	Year to Year	Container-grown nursery stock over the Foothill Feeder La Verne Pipeline in the City of San Dimas	\$1,500	Yearly

Total

\$256,000

- (1) During the entry permit term a permanent easement will be prepared and the City will pay a charge for fair market value and processing fee. Fee waived for entry permit due to constructed wall that provides added security and reduction of maintenance costs for MWD.
- (2) Amendment to change Permittee from Cove One Partners to KB Homes Coastal, Inc.
- (3) Tenant's Equipment Removal and Temporary Relocation Agreement at Diemer Filtration Plant effective March 28, 2006 (arbitrated settlement)
 - a) On or before August 1, 2006 Mountain Union will remove all telecommunications equipment at its sole cost and expense.
 - b) MWD will make temporary premises available for antenna through December 31, 2006.
- (4) Settlement and Release Agreement effective July 1, 2006 (arbitrated settlement)
 - a) Terminates Mountain Union Diemer Lease (RL 1762) effective December 31, 2006. Mountain Union to remove all antenna and facilities from site.
 - b) Mountain Union's rent obligations for RL 1762 terminate July 31, 2006.
 - c) MWD to settle with Mountain Union \$250,000 by August 29, 2006 as further consideration for Mountain Union's agreement to terminate Lease RL 1762.
 - d) Effective January 1, 2007 the lease rents at Cajalco Canyon Pressure Control Structure (RL 2380) and Santa Clarita Rejection Tower (RL 1772) are reduced to \$1 per year for 10 years as further consideration for terminating the Diemer Lease (RL 1762). Leases were \$12,000 per year plus percentage rent (35% of gross income received from Mountain Union's tenants on that site).
- (5) Amendment No. 2 to Lease RL 1772 between MWD and Mountain Union at Santa Clarita Rejection Tower
 - a) Base Rent is \$1 per year from January 1, 2007 until December 31, 2016 as consideration for Mountain Union's agreement to terminate Lease RL 1762.
 - b) Effective January 1, 2017 annual minimum rent becomes \$12,000 per year plus percentage rent (35% of gross income).
 - c) No percentage rent from January 1, 2007 until December 31, 2016 as consideration for Mountain Union's agreement to terminate Lease RL 1762. Percentage rent is defined at 35% of gross income received from Mountain Union's tenants on that site.
 - d) Mountain Union to pay Valencia-Northbridge Homeowners Association annual fee for access from May 1, 2006 through April 30, 2017.
- (6) Amendment No. 2 to Lease RL 2380 between MWD and Mountain Union at Cajalco Canyon Pressure Control Structure
 - a) Refer to 5a
 - b) Refer to 5b
 - c) Refer to 5c
- (7) Amendment to extend term and add additional parcels - original acreage was 1,475 acres, now 1,562 acres. Reciprocal Value Agreement - Permit issued cooperatively to governmental agency with mutual benefits resultant from MWD's receipt of on-site investigative studies and reports.
- (8) During the entry permit term a permanent easement will be prepared and will include a charge for fair market value and processing fee.
- (9) This site was previously leased to United States of America, Department of Defense (U.S. Navy) for naval ordinance propulsion testing. One outstanding issue to be completed is soil testing and remediation in order to transfer the property to Los Angeles County pursuant to a 1977 agreement between MWD and Los Angeles County.

**Deeds Granted
During 4th Quarter of FY 2005/06
March 1, 2006 through June 30, 2006**

GRANTEE	ACREAGE	TYPE	TERM	USE	RECORDING DATE	FEE/RENT	FREQUENCY
Hemet, City of	2.0 acres	Grant Deed	Permanent	Fire Station at Diamond Valley Lake	5/52006	0 (1)	n/a
Riverside, City of	0.038 acres	Easement	Permanent	Storm drain across Box Springs Feeder	4/11/2006	\$7,700	One Time

Total \$7,700

(1) Land dedication satisfies mitigation obligation described in the August 2002 Diamond Valley Lake Park Specific Plan Mitigated Negative Declaration. Transaction approved by Board on April 11, 2006 as action item 7-1.