

- Real Estate Activities – Quarterly
Report Ending December 31, 2006

Summary

This report provides an update on real estate activities for the period October through December 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

Attachment 1 lists the requests for leases and licenses that would result in a term longer than one year. The attachment is divided into categories based on request types (e.g. infrastructure improvements, parking and other compatible improvements, and agriculture). 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 compatible, allows a secondary use, and protects 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.

During the first quarter of fiscal year 2006/07, there was one request for a lease that would result in a term longer than one year. The City of Perris is requesting a lease over Metropolitan property for passive pedestrian and non-motorized vehicular use across the Colorado River Aqueduct right-of-way.

The request meets 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 regulatory 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

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years or identified in board report; g) cancellation clause not to exceed one year; 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) lease compliance required for local, state, and 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 and parking and other compatible improvements). These requests are considered on properties that are not categorized as surplus due to underlying Metropolitan pipelines or operational needs. There are two easement requests from public agencies for infrastructure improvements. Eastern Municipal Water District is requesting a 50-ft. wide temporary construction easement for the installation of a 36-inch water pipeline. Riverside County Transportation Department is requesting an easement for a public road crossing over Metropolitan's Box Springs Feeder right-of-way. This right-of-way contains a pipeline operated by Western Municipal Water District. These easements conform to the standard terms and conditions approved by the Board.

Completed Transactions

Deeds and Grants Accepted by Metropolitan

A portion of Metropolitan's Palos Verdes Feeder was relocated from its existing right-of-way location to an alternate property in order to provide a route for the federal/state rail project constructed by the Alameda Corridor Transportation Authority (ACTA). ACTA granted Metropolitan two permanent easements over the realigned location.

An easement was acquired from Borchard-Temecula, L.P. to replace existing access as a result of the construction of an expanding development near San Diego Pipeline Nos. 1 and 2.

The City of Compton Community Redevelopment Agency granted rights to provide continuous access to Metropolitan's existing Middle Feeder South. Access rights were relocated due to neighboring development.

Access rights were perfected by deed to Metropolitan in the City of Irvine. This recorded document provides direct access to Metropolitan's existing Allen McColloch Pipeline right-of-way over a non-exclusive utility road.

Metropolitan acquired 16.52 acres of vacant land to provide an increased security buffer zone at the Chemical Unloading Facility (CUF) in the City of Perris.

Leases and Permits Granted

Nine transactions were executed during this reporting period, **Attachment 4** is a listing of these transactions. These instruments allow others a compatible secondary use of Metropolitan-owned land and included six entry permits, one lease, one license and one license amendment. These agreements also conform to criteria adopted by Metropolitan's Board.

Deeds Granted to Others

Attachment 5 lists two quitclaims, one grant deed, and one permanent easement that were granted by Metropolitan during this reporting period. The quitclaims were to Parthenon Development for the sale of two 10-foot wide isolated strips of land owned by Metropolitan and landlocked by the surrounding owner. A permanent easement was granted to Eastern Municipal Water District to cross Metropolitan's right-of-way for installation, maintenance and operation of a recycled water line. Escrow was closed on the sale of surplus property located near Lake Mathews at 19835 Gavilan Road in Perris.

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Additional Accomplishments

- Completed tenant improvements at Washington, DC legislative office
- The per-acre annexation charge for the 2007 calendar year is \$3,474 per acre. Metropolitan's current service area is 5,177 square miles, which includes an increase of 0.3 square miles during fiscal year 2005-06.

**Requests for Long Term Leases and Licenses by Others
During 2nd Quarter of FY 2006/07
October 1, 2006 through December 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)

None							

Parking and Other Compatible Improvements (vegetation, erosion control, groundcover)

Perris, City of (RL 2686)	Public	TBD	Lease	TBD	TBD ⁽¹⁾	Y	Passive pedestrian trail and non-motorized use along right-of-way of the Colorado River Aqueduct (pipeline/tunnel section)

Agricultural

None							

TBD = To be Determined

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

**Requests for Easements by Others
During 2nd Quarter of FY 2006/07
October 1, 2006 through December 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)

Eastern Municipal Water District (RL2696)	Public	TBD	Easement	4 months	TBD ⁽¹⁾	Y	50-ft. wide temporary construction easement for the installation of a 36-inch diameter water line
Riverside County Transportation Department (RL2677)	Public	TBD	Easement	Permanent	TBD ⁽¹⁾	Y	Western Municipal Water District operates a pipeline along one side of Metropolitan's Box Springs Feeder right-of-way. A public road crossing is being proposed by Riverside County.

Parking and Other Compatible Improvements (e.g., slopes, drainage, buffer)

None							

TBD = To be Determined

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

**Deeds, Grants and Leases Accepted
During 2nd Quarter of FY 2006/07
October 1, 2006 through December 31, 2006**

GRANTOR	ACREAGE	TYPE	TERM	USE	RECORDING DATE	COSTS
Alameda Corridor Transportation Authority	2,972 sq. ft.	Easement	Permanent	Pipeline at relocated location of Palos Verdes Feeder	11/2/2006	\$0 ⁽¹⁾
Alameda Corridor Transportation Authority	2,830 sq. ft.	Easement	Permanent	Pipeline at relocated location of Palos Verdes Feeder	11/2/2006	\$0 ⁽¹⁾
Borchard-Temecula, L.P.	0.214 acres	Easement	Permanent	Access through tract to Metropolitan's existing San Diego Pipeline Nos. 1 and 2 right-of-way	10/20/2006	\$0 ⁽²⁾
Compton, City of, Community Redevelopment Agency	1.426 acres	Easement	Permanent	Provides access along existing Middle Feeder right-of-way	11/14/2006	\$0 ⁽³⁾
Irvine Community Development Company, LLC	1.671 acres	Easement	Permanent	Access along private utility road to Allen McCulloch Pipeline facilities	11/17/2006	\$0 ⁽⁴⁾
Smith & Reynolds Erosion Control, Inc.	16.52 acres	Fee	Permanent	Increased security buffer at Chemical Unloading Facility (CUF)	7/14/2006	\$3,100,000

⁽¹⁾ These easements were acquired and granted at no cost to Metropolitan as part of the Alameda Corridor Project. Metropolitan's Palos Verdes Feeder pipeline was relocated from public street right-of-way onto private property.

⁽²⁾ Metropolitan received and has been granted, at no cost, an alternative access easement in the vicinity of San Diego Pipeline Nos. 1 and 2. Metropolitan accepted the replacement access to accommodate neighboring development.

⁽³⁾ Access was dedicated at no cost to Metropolitan on recorded Tract Map 61885. The dedication provides access to Metropolitan's existing Middle Feeder South.

⁽⁴⁾ Access rights to a utility road were established by deed and granted at no cost to Metropolitan within new Tract No. 17004 in the City of Irvine. The utility road is the direct local access to an operating valve structure on the Allen McCulloch Pipeline.

**Leases and Permits Granted
During 2nd Quarter of FY 2006/07
October 1, 2006 through December 31, 2006**

LESSEE	ENTITY TYPE	ACREAGE	TYPE	TERM	USE	FEE/RENT	FREQUENCY
Eastern Municipal Water District (RL2636)	Public	0.092 acre	Entry Permit	1 year	Access to install recycled water line	\$0	(1) n/a
Lockheed Martin Corporation (RL2435)	Private	50 acres	Entry Permit	1 year	Inspection and evaluation to detect possible munitions residue from prior ownership within the Potrero property	\$2,500	One Time
Los Angeles Department of Water and Power (RL 2644)	Public	1.4 acres	License	Year to year	Construction staging area for proposed alignment of the Second Los Angeles Aqueduct	\$5,400	Annual
San Bernardino Valley Municipal Water District (RL2466)	Public	1.363 acres	Entry Permit	6.5 months	Construction of service connection from Inland Feeder to San Bernardino Central Feeder Project. A permanent easement will follow initial construction.	\$0	(2) n/a
San Dimas Rodeo, Inc. (RL 2634)	Non-Profit (3)	1.3 acres	Entry Permit	11 days	Parking of vehicles and trailers and Los Angeles Sheriff Department command center for the annual Western Days Rodeo event in the City of San Dimas	\$500	(4) One Time
Shell Oil Products Company (RL 2658)	Private	0.348 acre	License amendment	9 years	Groundwater remediation operations near Venice Pressure Control Structure and Power Plant	\$30,300	Annual
Southern California Gas Company (RL2653)	Public	0.043 acre	Entry Permit	12 months	Construction and operation of natural gas pipeline; permanent easement will follow	\$1,500	One Time
Twentieth Century Fox (RL 2676)	Private	n/a	Entry Permit	7 days	Filming at Joseph Jensen Treatment Plant for movie "Live Free or Die Hard"	\$51,636	One Time
Wal-Mart Stores, Inc. (RL2208) (5)	Private	1.78 acres	Lease	70 years	Ingress and egress and construction and maintenance of non-code required (excess) parking along a portion of the Box Springs Feeder	\$39,400	(6) Annual
Total						\$123,336	

(1) Fee to be waived based on MWD's effort to promote use of recycled water

(2) Fee to be waived based on collaborative service connection to MWD's Inland Feeder project

(3) Non-profit organization pursuant to IRS Code Section 501

(4) Fee reduced for the non-profit entity and security being provided to MWD facilities during the event

(5) Confidential Board Letter item 8-1 October 2006

(6) Terms include bi-annual CPI adjustment and reappraisal of rent at 5 years and every 10 years thereafter. \$39,400 security deposit being held on account for duration of lease.

Deeds Granted
During 2nd Quarter of FY 2006/07
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GRANTEE	ACREAGE	TYPE	TERM	USE	RECORDING DATE	FEE/RENT	FREQUENCY
Asbra, Jeremy J. and Christene N., Trustees of the J & C Asbra 2003 Family Trust dated May 28, 2003 (RL 2600)	2.2 acres	Grant Deed	Permanent	Sale of surplus property at 19835 Gavilan Road, Perris, CA	11/17/2006	\$685,000	(1) One Time
Eastern Municipal Water District (RL2649)	0.092 acre	Easement	Permanent	Crossing on MWD's right-of-way for installation, maintenance and operation of a recycled water line	12/8/2006	\$0	(2) n/a
Parthenon Development (RL 2469)	0.15 acre	Quitclaim	Permanent	Sale of 10-foot wide isolated strip of land owned by MWD and landlocked by the surrounding ownership	10/26/2006	\$3,000	One Time
Parthenon Development (RL 2469)	0.15 acre	Quitclaim	Permanent	Sale of 10-foot wide isolated strip of land owned by MWD and landlocked by the surrounding ownership	10/26/2006	\$3,000	One Time

Total **\$691,000**

(1) Property listed for sale at appraised value of \$715,000. As previously reported to the Committee, staff accepted offer and sold property for \$685,000 which is 95.8% of the appraised value. Pursuant to MWD Admin Code Section 8246, a property can be sold for no less than 90 percent of the lowest appraisal without the approval of the Board. After sales fees were paid, \$653,945.55 deposited into MWD's General Fund.

(2) Fee waived based on MWD's collaborative effort and program to promote use of recycled water.