



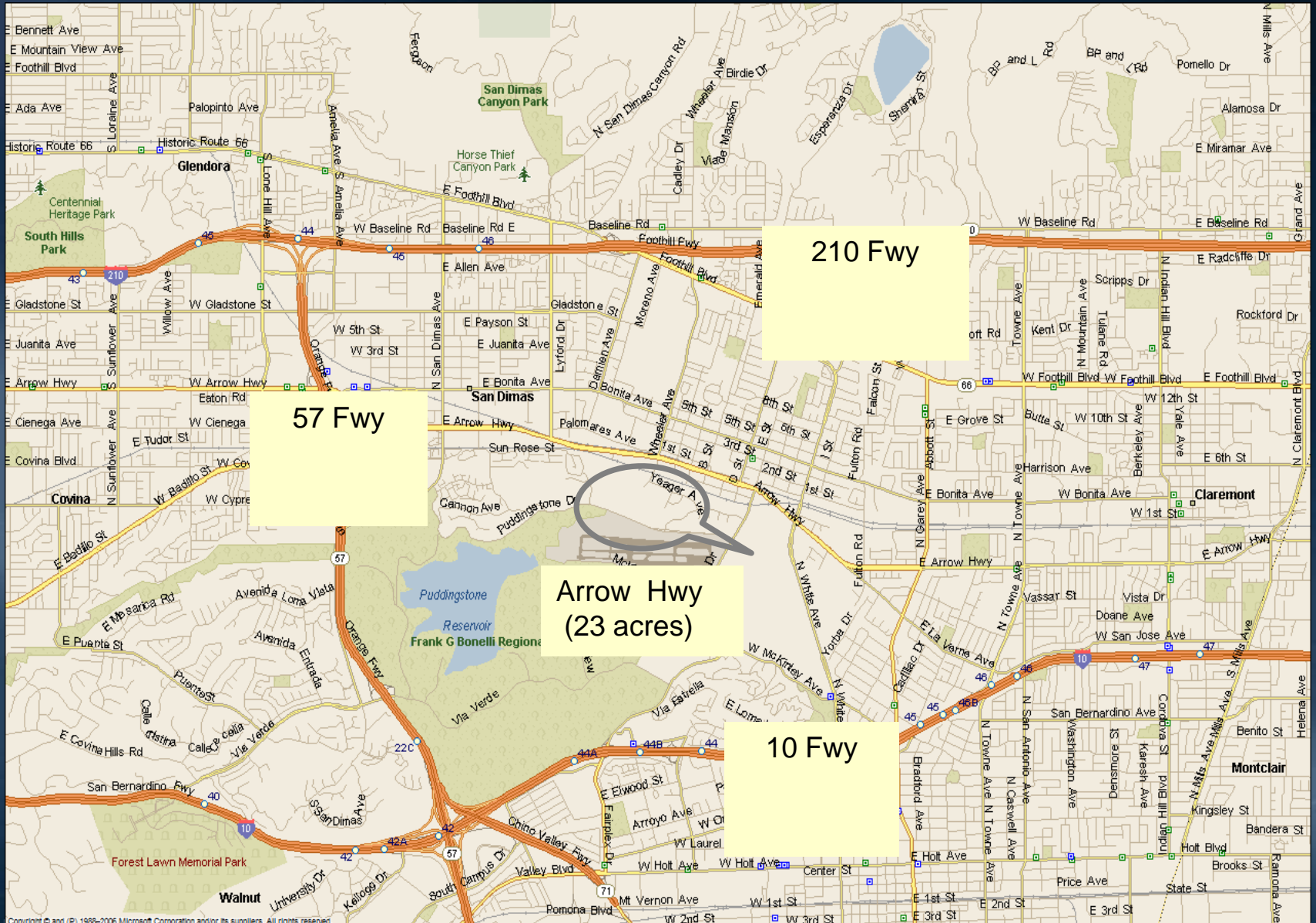
Options for Arrow Highway Property

Real Property & Asset Management Committee

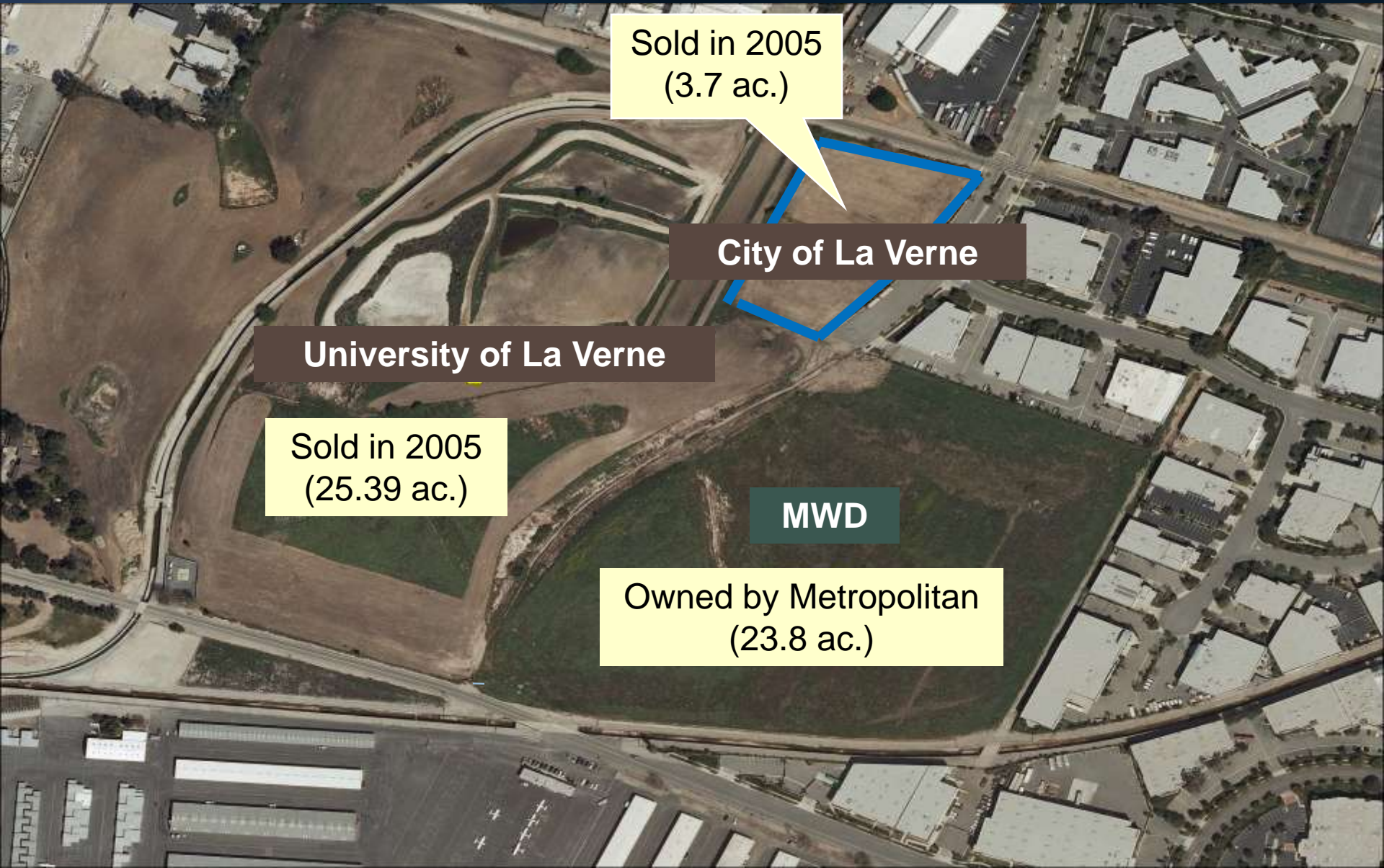
Item 4a

July 27, 2010

Location Map



Arrow Highway Property



Sold in 2005
(3.7 ac.)

City of La Verne

University of La Verne

Sold in 2005
(25.39 ac.)

MWD

Owned by Metropolitan
(23.8 ac.)

What Will Be Presented Today

- Fair market value of the property
- Residual land value (developer perspective)
- Presentations of qualifications/interest
 - City of La Verne
 - Lewis Group of Companies
 - Trammel Crow
 - Christ's Church of the Valley
- Looking for RPAM Committee direction to staff—sell or lease?
 - Action will take place at future RPAM meeting

Sale vs. Lease

- What is best way to produce revenue at the lowest risk?
- Compare the value and risk of sale and lease

Appraisal—Fair Market Value (Sale)

- Appraisal was completed by an independent appraiser- Cushman & Wakefield
- Completed on May 7, 2010
- Methodology
- Comparison adjustments
- Fair market value of this parcel was estimated between \$6.7 to \$7.7 million
- General trends

Conservative Residual Land Value Analysis (Lease)

- Construction costs of \$28 to \$30 million (rentable square feet is 345,314)
- Offsite cost (not including improvement cost for Wheeler Ave) \$1,769,388
- Cap rate 9% to 11% (NOI/Cost = Cap Rate)
- Tenant revenue, NOI at Stabilized - \$2.5 million
- Metropolitan revenue – range of \$360,000 to \$400,000 annually, with CPI adjustments every 3 to 5 years
- NPV range: \$5.4 to \$6.4 million

Moderate Residual Land Value Analysis (Lease)

- Construction costs of \$20 million (rentable 399,750 sq. ft.)
- Cap rate 8% to 10% ($\text{NOI}/\text{Cost} = \text{Cap Rate}$)
- Tenant revenue, NOI at Stabilized - \$2.6 million
- Metropolitan revenue – range of \$810,000 to \$1 million annually, with CPI adjustments every 3 to 5 years
- NPV range: \$6.4 to \$7.4 million

Timing of Sale

- GM declares that real property is surplus to Metropolitan's operational needs—30 to 60 days
- Government notice – 60 days
- Government right to negotiate – 60 days
- Private party bids – 30 to 60 days
- Board action – 60 days
- **Sale proceeds received in 6 to 9 months**

Timing of Lease

- Request for Proposals - 3 months
- Staff evaluation - 2 months
- RPAM/Board approval of developer selection – 2 months
- Option/lease negotiations - 4 months
- RPAM/Board approval of lease - 2 months
- Entitlement - 12 to 18 months
- Construction - 24 months
- Occupancy - 12 to 24 months
- **Rent paid to Metropolitan starting in 3 to 5 years**

Presentations of Qualifications/Interest

- City of La Verne
- Lewis Group of Companies
- Trammel Crow
- Christ's Church of the Valley

Comparison of Sale and Lease

- Sale

- \$6.7 to 7.7 million (Appraisal)
- 6 to 9 months
- Sale of the land is lower risk because we can reject any sale contingencies imposed by a potential buyer
- Under today's market, it is unlikely that we will get the highest sale value of the property

Comparison of Sale and Lease (cont.)

- Lease
 - \$6 to \$7 million (NPV)
 - 3 to 5 years until rent payments start
 - RFP is higher risk because of market volatility (ability to finance and the need for tenant occupancy)

Future Board Options

- Surplus and sell
 - If Board does not like the bids, can continue RFP process at that time
- Resume RFP process now without going through the surplus process
- Because the land is public, the Board does not have the option to concurrently offer land for sale and run an RFP process for ground lease

Next Steps

- Obtain RPAM Committee direction to sell or lease today
- Staff will prepare Board letter based on direction for presentation at next available RPAM Committee meeting

