



- Board of Directors
Real Property and Asset Management Committee

11/9/2010 Board Meeting

8-1

Subject

Affirm the General Manager's determination that The Metropolitan Water District of Southern California's Parcel Nos. 1415-2-1, -3 (easterly portion), APN 8378-010-923, is surplus to Metropolitan's needs: 23.803 acres south of Arrow Highway, La Verne, California

Description

The General Manager has determined that ownership of Metropolitan's Parcel Nos. 1415-2-1 and 1415-2-3, Los Angeles County Assessor Parcel No. (APN) 8378-010-923, a 23.803-acre unimproved property located near Metropolitan's F. E. Weymouth Water Treatment Plant ([Attachment 1](#) and [Attachment 2](#)) is surplus to Metropolitan's needs and can be disposed of pursuant to Metropolitan's Administrative Code Division VIII, article 4: Disposal of Real Property. The subject property, owned in fee by Metropolitan, was acquired in 1940 (then 97 ± acres) for \$14,250 for utilization as solids handling retention and drying basins for the water treatment plant, as detailed in [Attachment 3](#). Operation of the F. E. Weymouth Water Treatment Plant solids handling basins was eventually discontinued as solids were sent by pipeline to the Los Angeles County Sanitation District.

A Request for Qualifications (RFQ) No. 928 soliciting qualifications from individuals or teams with an interest in developing the Arrow Highway property closed in December 2009, and two firms were deemed qualified (Trammel Crow and Lewis Group of Companies). As staff was preparing the Request for Proposals (RFP), Metropolitan received an unsolicited offer to purchase the property. At the May 20, 2010 Business and Finance Committee, the General Manager reported that staff would initiate the surplus process. At the June 20, 2010 meeting of the Real Property and Asset Management (RPAM) Committee, staff recommended that the Committee affirm the General Manager's determination to surplus and dispose of the property pursuant to Metropolitan's Administrative Code Division VIII, Article 4: Disposal of Real Property.

Following a detailed discussion, staff was directed to return to the RPAM Committee meeting with additional information, including looking into the possibility of simultaneously seeking responses to an RFP and marketing the property for sale. Staff was also directed to have all interested parties make presentations on their proposals. At the July 27, 2010 RPAM Committee meeting staff provided the additional information as requested. Staff explained that the property cannot be offered for sale while seeking proposals under an RFP due to compliance with the Surplus Lands Act. In addition, the RPAM Committee heard presentations from Lewis Group of Companies, Trammel Crow, Christ Church of the Valley, and the City of La Verne. Staff is currently awaiting direction from the Board.

The fair market value for this parcel is estimated between \$6.7 million to \$7.7 million, as determined by an independent appraisal report ([Attachment 4](#)), completed in May 2010, in conformance with Metropolitan's Administrative Code Section 8231: Appraisals of Real Property Interests. Under Option 1, the property would be offered for sale at the fair market value to specified government agencies pursuant to California Government Code Section 54222 (the Surplus Lands Act, Attachment 5) and Metropolitan's Administrative Code Section 8241. After compliance with the requirements of the Surplus Lands Act, the property can be disposed of in accordance with applicable sections of Metropolitan's Administrative Code. See [Attachment 5](#) for the Surplus Property Decision Tree.

It is estimated that this surplus and sale process will take six to nine months to complete.

Option 2 will result in leaving the subject property in its current “as is” condition and marketing the property in whole or in part for a long-term ground lease for commercial development. This will be done by issuing an RFP to the respondents who qualified under RFP No. 928. The estimated net annual rent for a 60-year ground lease should exceed \$500,000 based on a 9 percent rate of return. Assuming a 3-year deferment of the ground rent during the entitlement development process, an 8 percent discount rate, and a 10 percent cost of living increase every ten (10) years, the net present value of this revenue stream would be estimated at \$6 million to \$8 million. If the development should fail, it is unlikely that Metropolitan would receive any revenue because the lessee would most likely default.

Policy

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

Metropolitan Water District Administrative Code Section 8240: Preliminary Requirements

Metropolitan Water District Administrative Code Section 8241: Authority for General Manager to Sell or Lease Surplus Real Property; Restriction on District Directors and Employees

California State Government Code Sections 54220 through 54232

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA because they involve 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 actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Options #2 and #3:

None required. Subsequent actions on this property, including leases, may require compliance with CEQA.

Board Options

Option #1

Adopt the CEQA determination and

- a. Affirm the General Manager’s determination that the subject property comprised of 23.803 acres is surplus and carry out disposition of the property in its current condition; and
- b. Market the property using the process outlined in Metropolitan Water District Administrative Code Section 8246 at its fair market value of between \$6.7 million to \$7.7 million in a form approved by the General Counsel.

Fiscal Impact: Potential of approximately \$6.7 million to \$7.7 million in revenue upon the close of escrow less disposition expenses.

Business Analysis: Property is excess to Metropolitan’s needs.

Option #2

Do not surplus the subject property and release RFP to obtain proposals from respondents qualified under RFQ 928 to ground lease property for development to generate an ongoing revenue stream.

Fiscal Impact: Until leased there will be minimal ownership costs for recurring weed/debris abatement and periodic on-site inspections

Business Analysis: Metropolitan continues its fee ownership of the property and would receive a yearly revenue stream, subject to some risk of default over term of the lease.

Option #3

Do not surplus the subject property and leave the land in its current "as is" condition and return to the Board with a management plan for the property.

Fiscal Impact: There will be minimal ownership costs for reoccurring weed/debris abatement and periodic on-site inspections. Metropolitan would forgo revenue of \$6.7 million to \$7.7 million.

Business Analysis: Metropolitan continues its fee ownership of the property. There will be ongoing maintenance costs with no revenue.

Staff Recommendation

Option #1

 10/19/2010

Ralph T. Hicks Date
Manager, Real Property Management and
Development

 10/19/2010

Jeffrey Kightlinger Date
General Manager

Attachment 1 – Location Map

**Attachment 2 – Exhibit Map of Metropolitan Parcel Nos. 1415-2-1 and -3
(Assessor Parcel No. 8378-010-923)**

Attachment 3 – Detailed Report

Attachment 4 – Appraisal Summary

Attachment 5 – Surplus Property Decision Tree

Ref# rpdm12606370

Location Map

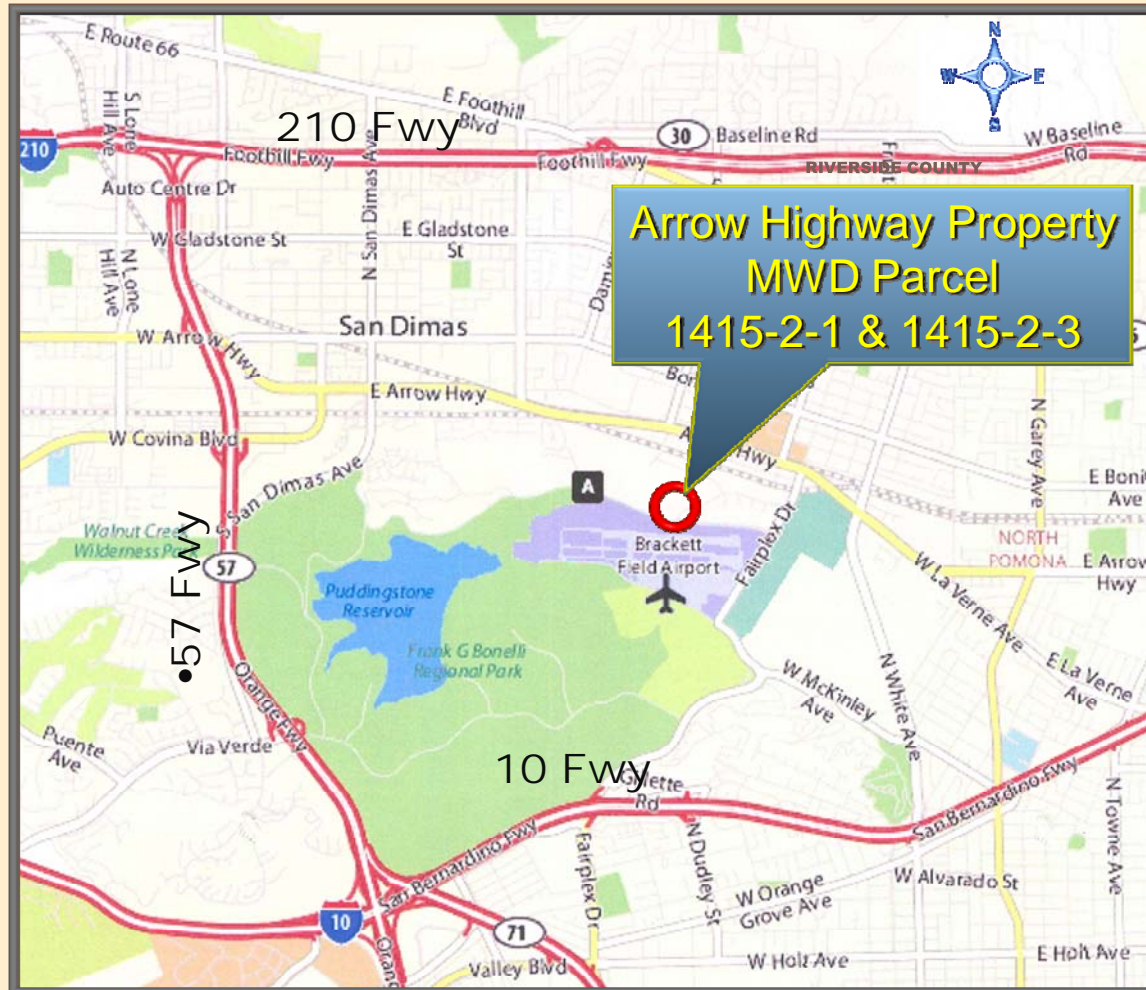


EXHIBIT B

PORTION OF THE RANCHO SAN JOSE PER MAP RECORDED IN BK. 2/292-293 OF PATENTS
CITY OF LA VERNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

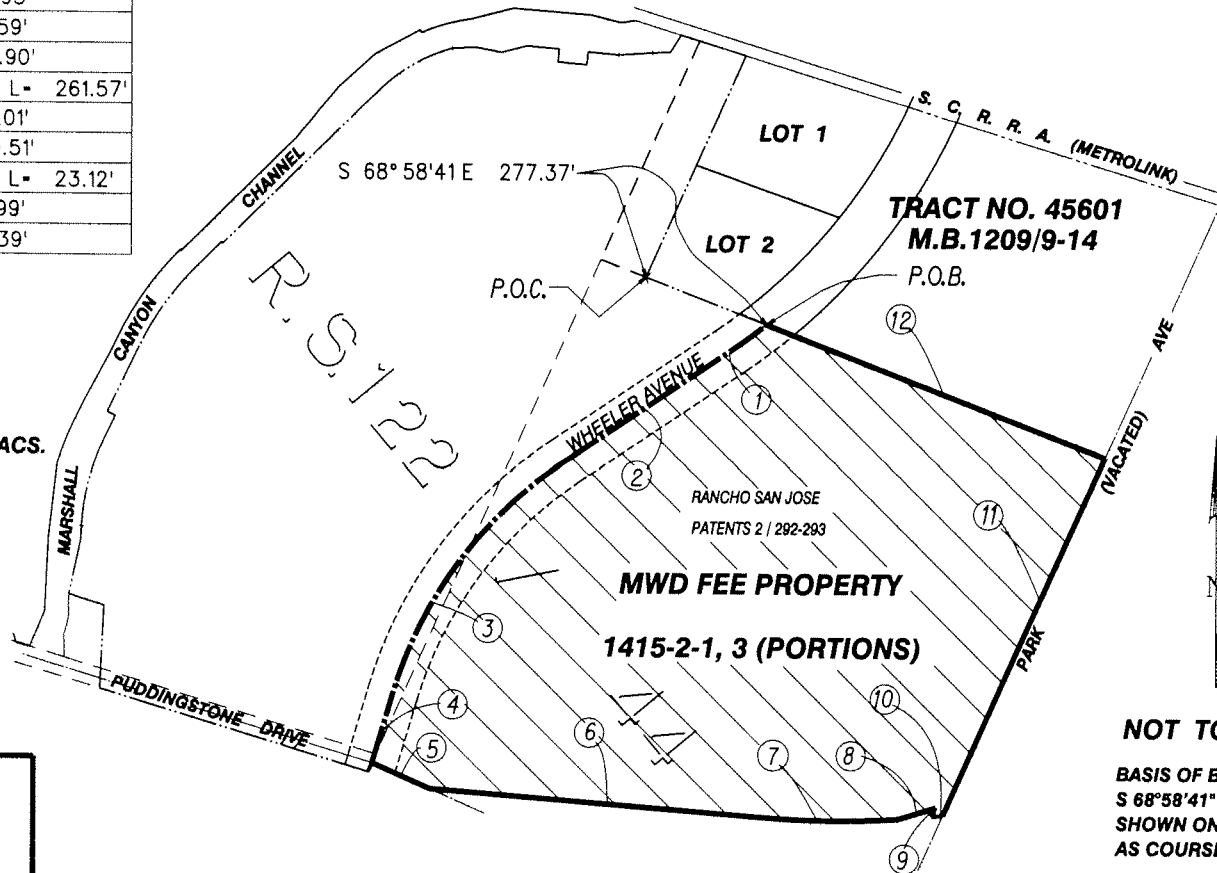
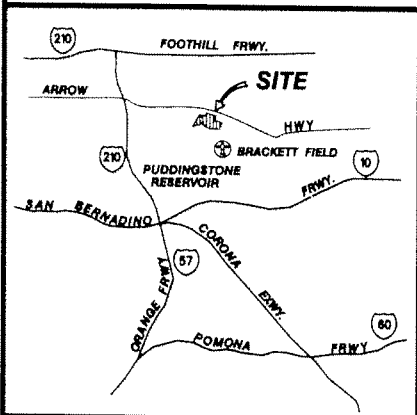
LINE AND CURVE TABLE		
①	△- 04° 25'01" R-	1200.00' L- 92.51'
②	S55° 54'49"W	413.70'
③	△- 39° 18'51" R-	900.00' L- 617.55'
④	S16° 36'05"W	149.93'
⑤	S66° 17'35"E	130.59'
⑥	S85° 39'11"E	687.90'
⑦	△- 07° 36'27" R-	1970.00' L- 261.57'
⑧	N75° 29'24"E	105.01'
⑨	S23° 50'38"W	20.51'
⑩	△- 00° 40'21" R-	1970.00' L- 23.12'
⑪	N23° 50'38"E	817.99'
⑫	N68° 58'41"W	745.39'

LEGEND



MWD SURPLUS PARCEL
1415-2-1, 3 (PORTIONS) = 23.803 ACS.

VICINITY MAP
NOT TO SCALE



NOT TO SCALE

BASIS OF BEARINGS:
S 68°58'41" E AS
SHOWN ON RS 122/44
AS COURSE 63.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

WEYMOUTH-PUDDINGSTONE PROPERTY

**MWD
SURPLUS PROPERTY**

1415-2-1, 3 (portions)

Detailed Report

Metropolitan acquired the Arrow Highway property in 1940 for \$14,250. Originally 97.05 acres, the property is located near the intersection of Arrow Highway and Wheeler Avenue/Puddingstone Drive. The site was acquired for utilization as solids handling retention and drying basins for the F. E. Weymouth Water Treatment Plant. The transactions associated with this property are presented in the table below.

Date	Acreage Affected	Transaction Description	Remainder Acreage
1940	97.05	Purchase	97.05
1942	2.13	Sold Carrion House	94.92
1946	1.22	Sold to LA County Flood Control	93.70
1958	4.30	Sold to State of California	89.40
1968	1.16	Quitclaimed to LA County Flood	88.24
1968	2.85	Sold to LA County Flood Control	85.39
1976	1.19	Sold to Occidental Research	84.24
1977	2.21	Sold to Mangold	81.99
1994	1.13	Sold Permanent Easement Only to San Pedro Development	81.99
1999	15.82	Sold to National Security Construction	66.17
2000	17.00	Industrial Land Exchange	49.17
2000	(3.72)	Received 2 Industrial Lots	52.89
2002	3.72	Surplus of Parcel 1415-2-100	52.89
2004	29.09	Surplus of Parcels 1415-2-1, -3 (westerly portion), and -7	52.89
2005	2.99	Granted Permanent Easement for Wheeler Avenue to City of La Verne	52.89
2005	29.09	Sold to La Verne Redevelopment Agency	23.80
2010	23.80	Surplus of 1415-2-1, -3 (easterly portion)	23.80

In 1989, Metropolitan's Board surplused the entire Arrow Highway property, but this action was later rescinded due to a buyer's failure to perform.

A Request for Qualifications (RFQ) No. 928 soliciting qualifications from individuals or teams with an interest in developing the Arrow Highway property closed in December 2009, and two firms were deemed qualified (Trammel Crow and Lewis Group of Companies). As staff was preparing the Request for Proposals (RFP), Metropolitan received an unsolicited offer to purchase the property. At the May 20, 2010, Business and Finance Committee, the General Manager reported that staff would initiate the surplus process.

At the June 22, 2010, meeting of the Real Property and Asset Management (RPAM) Committee, staff recommended that the Committee affirm the General Manager's determination to surplus and dispose of the property pursuant to Metropolitan's Administrative Code Division VIII, Article 4: Disposal of Real Property. Following a detailed discussion, staff was directed to return to the July 27, 2010, RPAM Committee meeting with additional information, including the possibility of simultaneously seeking responses to an RFP and marketing the property for sale. Staff was also directed to invite the interested

parties to prepare individual presentations on the potential uses of the property. At the July 27, 2010, RPAM Committee meeting staff provided the additional information as requested and the interested parties provided their presentations. Staff is currently awaiting direction from the Board.

The General Manager has determined, and the Corporate Resources and Water System Operations Groups have affirmed, that Metropolitan's Parcel Nos. 1415-2-1, and -3 (easterly portion) are surplus to the needs of Metropolitan and can be disposed of without adversely affecting Metropolitan's foreseeable operational requirements. The value of the 23.803-acre area has been estimated at \$6.7 million to \$7.7 million, as determined by an independent appraisal report completed in May 2010. Surface drainage and subsurface mineral rights will be reserved for Metropolitan. In addition, a condition subsequent with a deed restriction will be created wherein the actual site development must be consistent with the purchaser's land utilization plans and specifications as approved by Metropolitan.

Appraisal Summary

Property Owner: Metropolitan Water District of Southern California

Metropolitan Nos. 1415-2-1 and 1415-2-3.

Appraiser: Cushman & Wakefield Western, Inc. Valuation Advisory Services

APN: 8378-010-923

Report Date: June 2, 2010

Date of Value May 7, 2010

**Reviewer's Client
& Intended User(s):** Metropolitan Water District of Southern California

**Purpose of Review
Assignment:** Summarize Pertinent Value Opinions and Aspects of Subject Property Within Appraisal

NARRATIVE REVIEW

Property Description

The subject property is a remainder parcel of vacant land, measuring 23.803 gross acres, and located in La Verne, California, at the southern terminus of Wheeler Avenue, north of Puddingstone Drive. The land is identified as APN 8378-010-923 by the Los Angeles County Assessor's Office. The land is owned by the Metropolitan Water District of Southern California (Metropolitan). It is vacant, and to the best of the knowledge of the appraisers, has never been developed with any kind of structure.

Relevant Regional/Neighborhood Information

Because the subject property is zoned for business park use by the City of La Verne, the Los Angeles Industrial Market was delineated and analyzed in the appraisal report, as was the La Verne/San Dimas/Pomona Area industrial submarket. Conclusions from the extensive data are that the market has bottomed out and has begun a very slow thawing, but that investors are very cautious and speculative projects are unlikely in the near future.

Larger Parcel (N/A)**Highest and Best Use**

The Zoning designation for the subject site is for business park use, a subcategory of industrial use. The Highest and Best Use as if vacant is for industrial development consistent with current zoning when market conditions can support it. Because the land is vacant, there is no Highest and Best Use as if improved.

Cost Approach (N/A)**Improvements (N/A)****Sales Comparison Approach**

Six closed sales and three listings were presented, all of industrial land, from eastern Los Angeles County and the Inland Empire. They ranged in value from \$5.62 to \$14.71 per square foot, with an average of \$10.38 per square foot. The concluded range of value was \$6.99 to \$8.04 per square foot.

Income Approach (N/A)**Part-Take Analysis (N/A)****Damages/Benefits (N/A)****Value Conclusion**

The sales comparables, which was the only approach used in this report, resulted in a range of value conclusion of \$6,700,000 to \$7,700,000.

DECISION TREE – SURPLUS PROPERTY

<p><u>Internal Determination of Property as Potentially Excess</u> Water System Operations (WSO) Water Resource Management (WRM) Corporate Resources (CRG) Real Property Development and Management Group (RPDM)</p>	
<p>Property Appraisal Valuation Threshold Test [Per Admin. Code 8240, (a) (1)]</p>	
<p>Under \$75,000 Valuation Staff appraisal permitted Per Admin. Code 8240 (2) (C) Comply with CEQA (30 days)</p>	<p>\$75,000 Valuation or over Requires independent appraisal(s) Per Admin. Code 8240 (2) (C) Comply with CEQA (90 to 150 days)</p>
<p><u>GM Declares real property surplus and notifies Board Committee(s)</u> (Per Admin. Code 8240) (60 to 90 days)</p>	
<p><u>Board Does Not Concur</u> Re-inventory</p>	<p><u>Board Concurs & Approves</u> Criteria Per Admin. Code 8258 Property not required by District, will not adversely affect District operations Legally Required to Return to Tax Rolls</p>
<p><u>Comply with CEQA and Offer Property to Public Entities</u> Admin. Code 8241 (required Fair Market Value) Govt. Code 54222-27 Offer to Sell or Lease to Public Entities at Appraised Fair Market Value for: Parks, Open Space, Public Housing, Schools (60 days)</p>	
<p><u>Public Offer Accepted</u> <u>At Appraised Fair Market Value</u></p>	<p><u>No Public Offers Accepted</u> Admin. Code 8241 Information Report to Board</p>
<p>Admin. Code 8240 GM has negotiating authority to accept selling price ranging to 10% less than appraised fair market value of approved appraisal. Any sale is for cash or minimum 20% down payment w/ balance amortized up to 10 years at Admin. Code designated interest rate and secured by deed of trust.</p>	<p><u>Sale or Lease Decision</u> <u>Exception to Public Sale (Admin. Code 8254)</u> Direct Sale at Appraised Fair Market Value to: U.S., State, County, City, School District, Flood Control, Special District GM may sell at 10% less than appraised fair market value of approved appraisal (60 to 90 days)</p>
	<p>Expose to Open Market Dispose By: (a) Public Auction by Staff (90 to 180 days)</p>

<p><u>Public Offer Accepted At Appraised Fair Market Value</u></p>	<p><u>No Public Offers Accepted</u> Admin. Code 8241 Information Report to Board</p>	
	<p><u>Without Sealed Bids</u> 8244 (b) Sell to Highest Bidder</p>	<p><u>With Sealed Bids</u> 8244 (c) Sell to highest bona fide sealed bid; Or Sell to highest oral bidder</p>
	<p><u>(b) Real Estate Brokerage</u> Admin. Code 8245 & 8246 Open Listing Exclusive Listing</p>	
	<p><u>(c) Auction by Professional Auctioneer</u> Admin. Code 8247</p>	
<p><u>Public sale or executed lease</u></p>	<p><u>(d) Sale by other mechanism approved by Board</u></p>	
<p><u>Quarterly Reports</u> Admin. Code 8258 GM shall report to Board quarterly on status of property sold</p>		