



● **Board of Directors**  
***Real Property and Asset Management Committee***

11/9/2010 Board Meeting

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**Revised 8-2**

**Subject**

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Affirm the General Manager's determination that 110 parcels (83.6 acres) acquired for construction and operation of an extension to the Box Springs Feeder, Riverside County, are surplus to Metropolitan's present needs and future operational requirements

**Description**

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The General Manager has determined that ownership of Metropolitan's Parcel Nos. 1610-2-1 through 1610-7-58, a 6.9-mile-long corridor located west of Metropolitan's Henry J. Mills Water Treatment Plant ([Attachment 1](#)) 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 parcels were acquired for construction and operation of an extension to the Box Springs Feeder pipeline between 1974-1978 for approximately \$571,000. The pipeline extension project was never constructed due to changes in Metropolitan's delivery needs and objectives, and the property is no longer needed for Metropolitan's current or future operational or business needs, as detailed in [Attachment 2](#). The market value for this parcel is estimated at \$1,050,000, as determined by an independent appraisal report completed in October 2010 in conformance with Metropolitan's Administrative Code Section 8231: Appraisals of Real Property Interests. Three ground leases are currently active that allow landscaping and storage by adjacent homeowners. These leases generate a total of \$1,500 per year in revenue. After compliance with the requirements of the Surplus Lands Act contained in the California Government Code Section 54220 through Section 54227, requiring notification of specifically designated public agencies, the property can be disposed of in accordance with applicable sections of Metropolitan's Administrative Code. The county and city of Riverside have expressed interest in acquiring these properties for their joint trail master plan.

See [Attachment 3](#) for the Surplus Property Decision Tree.

**Policy**

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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 Environmental Quality Act (CEQA)

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### CEQA determination for Option #1:

The proposed action of declaring the subject property surplus to Metropolitan's needs is not defined as a project under CEQA because it involves 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 proposed action is also categorically exempt under the provisions of CEQA and the State CEQA Guidelines. In particular, the proposed action consists of the leasing, licensing, maintenance, and operating of existing equipment and facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination. In addition, it will not have a significant effect on the environment. Additionally, the proposed action consists of the sale of surplus government property with no statewide, regional, or area-wide importance. In addition, the sale will not have a significant effect on the physical environment. Accordingly, this proposed action qualifies as Class 1 and Class 12 Categorical Exemptions (Section 15301 and 15312 of the State CEQA Guidelines).

The CEQA determination is: Determine that the action of declaring the subject property surplus is not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines. Furthermore, determine that pursuant to CEQA, the proposed action qualifies under two Categorical Exemptions (Class 1, Section 15301 and Class 12, Section 15312 of the State CEQA Guidelines).

### CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the CEQA determination and affirm the General Manager's determination that the Box Springs Feeder right-of-way property comprised of 83.6 acres is surplus and carry out disposition of the property in its current condition, and market the property for sale on the open market for its fair market value of \$1,050,000 in a form approved by the General Counsel.

**Fiscal Impact:** \$1,050,000 in revenue upon close of escrow less disposition expenses

**Business Analysis:** Property is excess to Metropolitan's needs. The property is marketable at the appraised value.

### Option #2

Do not surplus the property.

**Fiscal Impact:** Continued ownership expenses and associated costs for site maintenance, security and utilities

**Business Analysis:** Metropolitan continues its fee ownership of the property. There will be ongoing maintenance costs with minimal revenue.

**Staff Recommendation**

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Option #1

  
\_\_\_\_\_  
Ralph T. Hicks 10/21/2010  
Date  
Manager, Real Property Development and  
Management Group

  
\_\_\_\_\_  
Jeffrey Kightlinger 10/21/2010  
Date  
General Manager

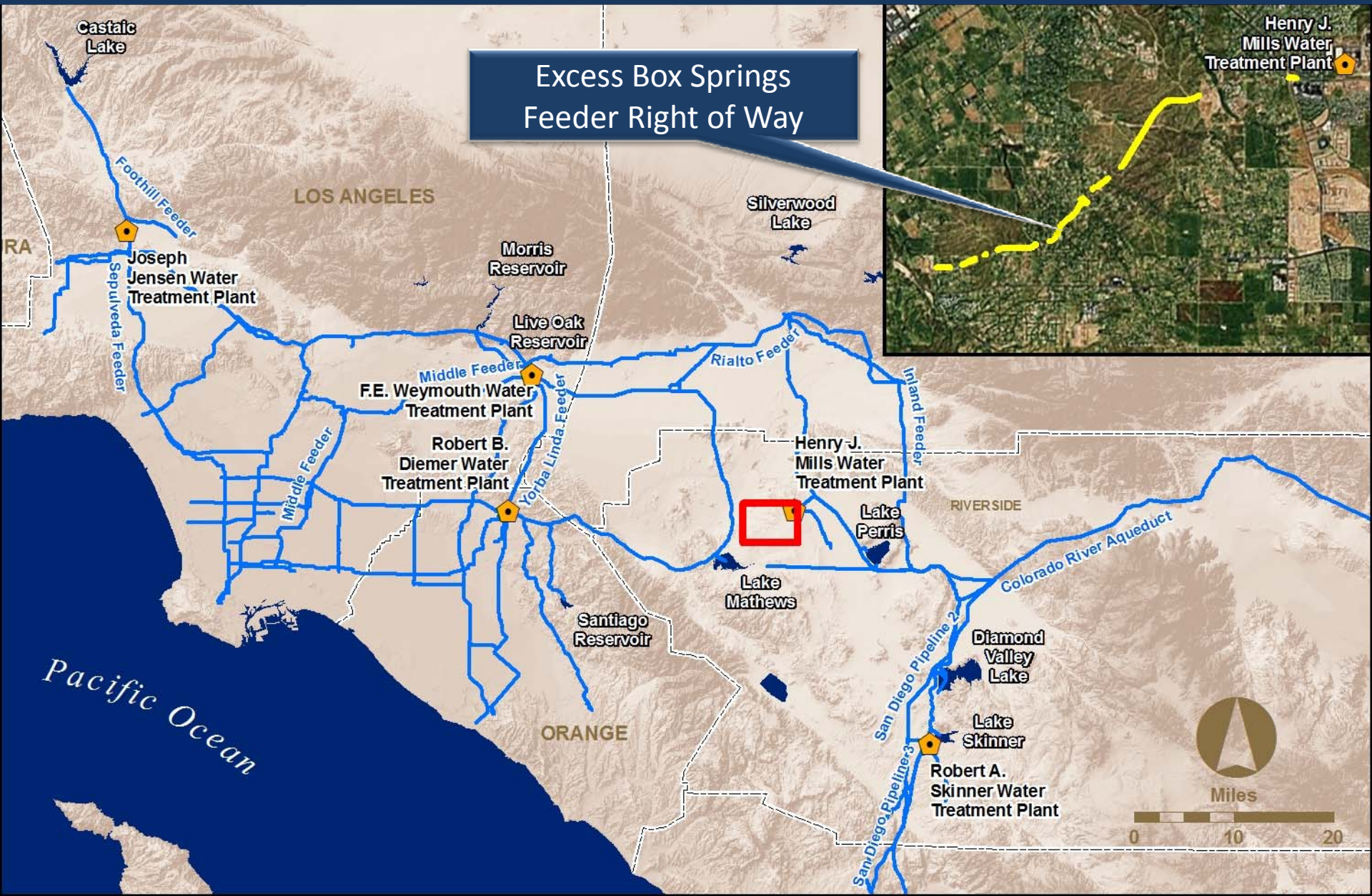
**Attachment 1 – Location Maps**

**Attachment 2 – Detailed Report**

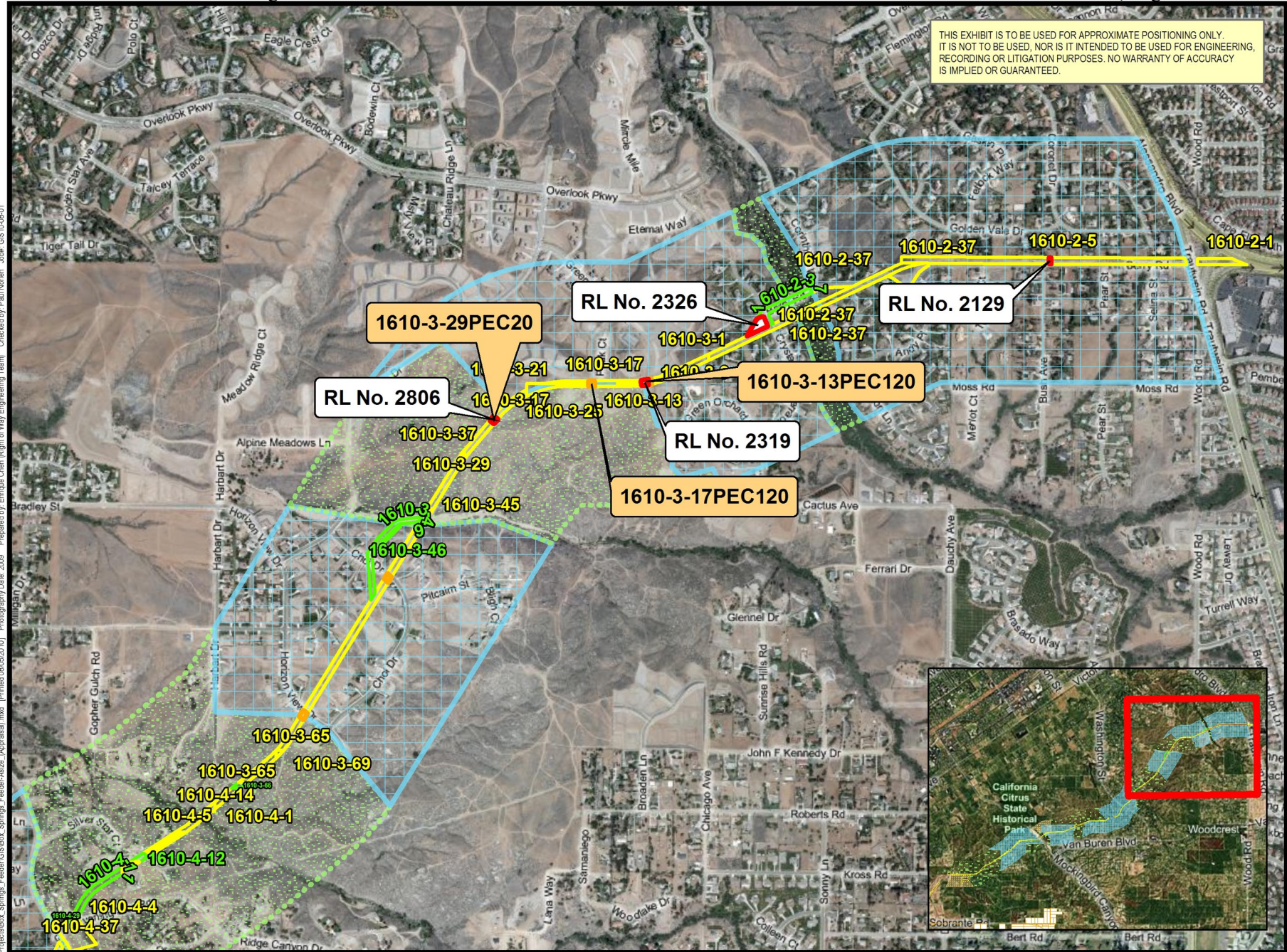
**Attachment 3 – Surplus Property Decision Tree**

BLA# rpdm12606340

# Excess Box Springs Feeder R/W West of Mills Plant



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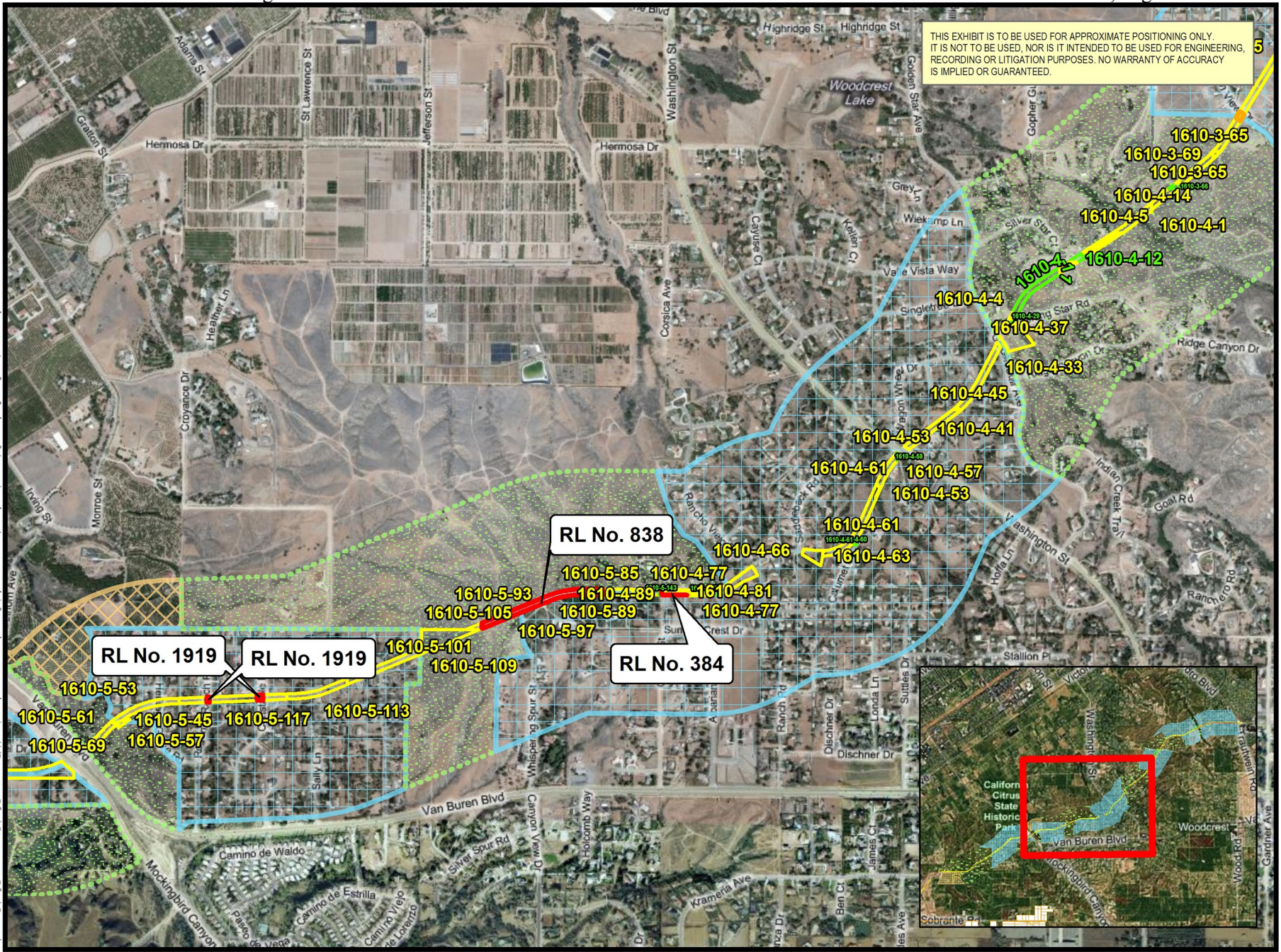


Project: Box Springs Feeder GIS Box Springs Feeder Aerial (Aerial) mxd [Printed: 08/05/2010] Photography Date: 2009 Prepared by: Ericas Chen (Right of Way Engineering Team) Checked by: Paul Nolan Job#: GIS 090801

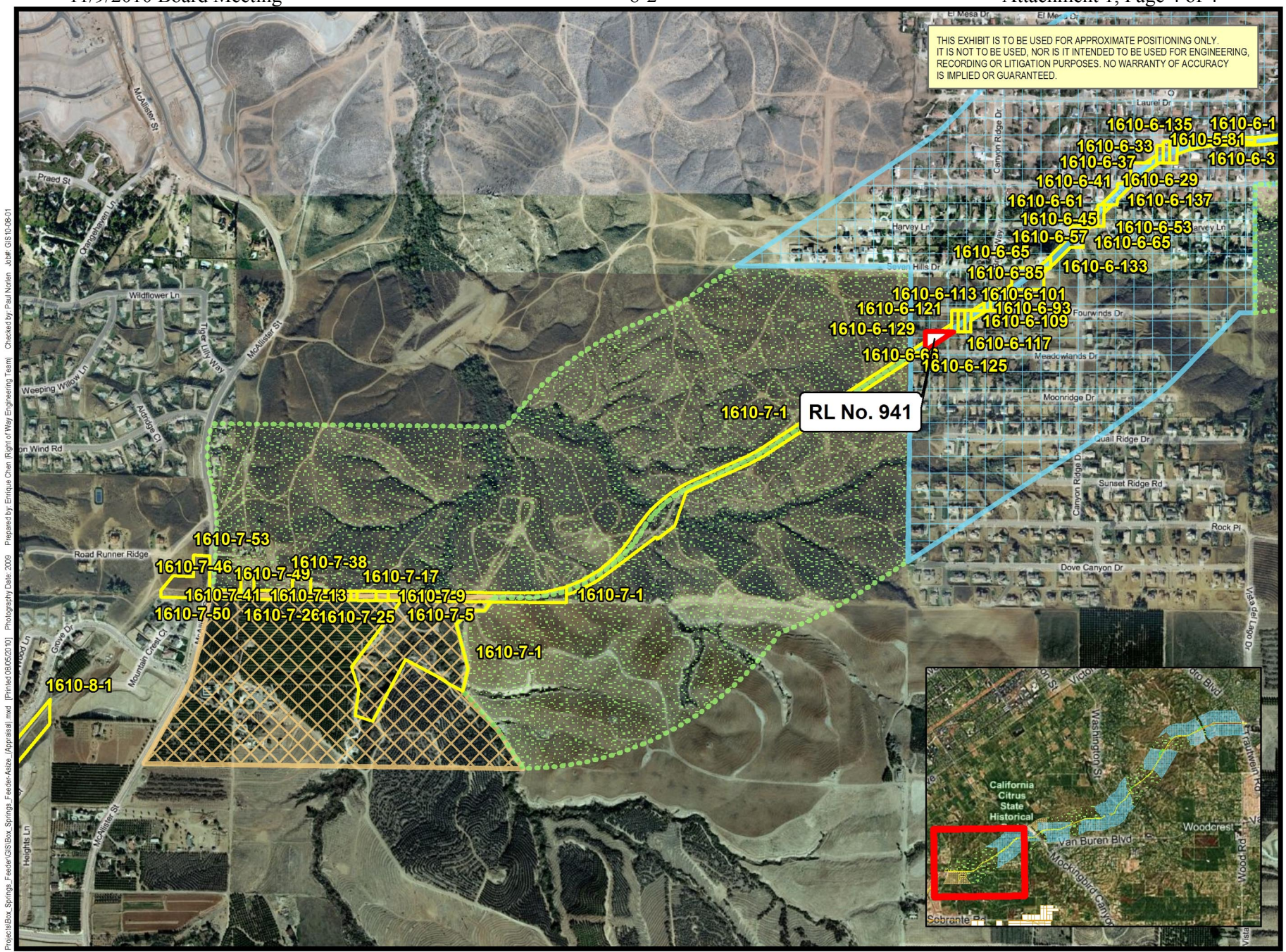


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Project: Box Springs Feeder GIS Box Springs Feeder (Aerial) and (Printed) 08/05/2010. Photography Date: 2009. Prepared by: Enrique Chen (Right of Way Engineering Team). Checked by: Paul Nolan. Job#: GIS 09-08-01



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Project: Box Springs Feeder Right of Way Corridor Segment C. Prepared by: Enrique Chen (Right of Way Engineering Team). Checked by: Paul Nordin. Job #: GS 10-08-01. Photograph Date: 2009. Printed: 08/05/2010. File: Appraisal.mxd. Project: Box Springs Feeder Right of Way Corridor Segment C. Prepared by: Enrique Chen (Right of Way Engineering Team). Checked by: Paul Nordin. Job #: GS 10-08-01. Photograph Date: 2009. Printed: 08/05/2010. File: Appraisal.mxd.

## Detailed Report

Real property is acquired by Metropolitan for its business and operational needs. The land may become surplus when Metropolitan determines that the property is no longer necessary to fulfill those business and operational needs. The property can be sold at auction, either by an oral public auction, a sealed bid auction, or by an open or exclusive listing. Under certain circumstances, surplus property may be offered for sale directly to adjoining property owners. It may also be offered for direct sale to public agencies if the property is to be used for a public purpose. Proceeds from the sale of surplus land are deposited into Metropolitan's general fund account. A decision tree used in illustrating the surplus process is shown on Attachment 3.

Throughout the 1974-1978 time period, Metropolitan acquired 110 adjoining parcels of varying widths, totaling 83.6± acres from multiple private owners for a combined price of approximately \$571,000. This continuous corridor is located west of the Henry J. Mills Water Treatment Plant (Mills plant) and proceeds southwesterly to Lake Mathews, through the city of Riverside and unincorporated area of Riverside County (Attachment 1). The portion of the Box Springs Feeder right of way west of Mills plant was originally to be used to construct an extension of the Box Springs Feeder from a point near Metropolitan's Lake Mathews to the Mills plant continuing to the Lakeview Pipeline. The extension of the Box Springs Feeder would have interconnected with a proposed western alignment of the Inland Feeder. The project was later abandoned, and no current or future use of the right of way has been identified by Metropolitan's Water System Operations Group or through the Integrated Area Study. Three ground leases are currently active that allow landscaping and storage by adjacent homeowners. These leases generate a total of \$1,500 per year in revenue. The marketplace demand for additional leases on this right of way is minimal.

The General Manager has determined, with concurrence of staff within the Real Property Development and Management and Water System Operations Groups, Facilities Planning Unit that MWD Parcel Nos. 1610-2-1 to 1610-7-58, are surplus to the needs of Metropolitan and can be disposed of without adversely affecting Metropolitan's foreseeable operational and business requirements. The value of the 83.6-acre property is \$1,050,000 as determined by an independent appraisal report completed in October 2010. This property is subject to the disposition requirements of the Surplus Lands Act contained in California State Government Code Section 54222; therefore, if the recommended surplus action is authorized, staff will initially offer the property for sale to applicable public agencies and organizations pursuant to Section 54222 of the Government Code and Section 8241 of Metropolitan's Administrative Code. The minimum offer shall be the market value of the property as determined by an independent appraiser. If, after offering this property for sale to said public agencies at the market value, no offer is accepted, the property will be sold by using the services of real estate realtors/brokers pursuant to Administrative Code Section 8245 or Section 8246, dependent upon the applicable disposition procedure. The buyer shall be required to execute an acceptable agreement to purchase as well as agree to escrow instructions in a form approved by Metropolitan's General Counsel.

Upon acceptance of the offer for purchase, an escrow will be opened and requisite funds and documentation on behalf of the buyer and Metropolitan will be therewith deposited. At the close of escrow, proceeds of the sale, together with the Promissory Note and Deed of Trust, if applicable, will be delivered to Metropolitan.



**DECISION TREE – SURPLUS PROPERTY**

<p><b><u>Internal Determination of Property as Potentially Excess</u></b>                  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 [<b>Per Admin. Code 8240, (a) (1)</b>]</p>	
<p><b>Under \$75,000 Valuation</b>                  Staff appraisal permitted                  Per Admin. Code 8240 (2) (C)                  Comply with CEQA  <b>(30 days)</b></p>	<p><b>\$75,000 Valuation or over</b>                  Requires independent appraisal(s)                  Per Admin. Code 8240 (2) (C)                  Comply with CEQA  <b>(90 to 150 days)</b></p>
<p><b><u>GM Declares real property surplus and notifies Board Committee(s)</u></b>                  (Per Admin. Code 8240)  <b>(60 to 90 days)</b></p>	
<p><b><u>Board Does Not Concur</u></b>                  Re-inventory</p>	<p><b><u>Board Concurs &amp; Approves</u></b>                  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><b><u>Comply with CEQA and Offer Property to Public Entities</u></b>                  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  <b>(60 days)</b></p>	
<p><b><u>Public Offer Accepted At Appraised Fair Market Value</u></b></p>	<p><b><u>No Public Offers Accepted</u></b>                  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><b><u>Sale or Lease Decision</u></b>                     <b>Exception to Public Sale (Admin. Code 8254)</b>                  Direct Sale at Appraised Fair Market Value to:                  U.S., State, County, City, School District, Flood Control, Special District  <b>GM may sell at 10% less than appraised fair market value of approved appraisal (60 to 90 days)</b></p>

	Expose to Open Market Dispose By: (a) Public Auction by Staff <b>(90 to 180 days)</b>	
	<u>Without Sealed Bids</u> 8244 (b) Sell to Highest Bidder	<u>With Sealed Bids</u> 8244 (c) Sell to highest bona fide sealed bid; Or Sell to highest oral bidder
	<u>(b) Real Estate Brokerage</u> Admin. Code 8245 & 8246 Open Listing Exclusive Listing	
	<u>(c) Auction by Professional Auctioneer</u> Admin. Code 8247	
<b><u>Public sale or executed lease</u></b>	<u>(d) Sale by other mechanism approved by Board</u>	
<b><u>Quarterly Reports</u></b> Admin. Code 8258 GM shall report to Board quarterly on status of property sold		