



Approve Development Guidelines and Proposed DVL Land Use Planning Concepts

Real Property & Asset Management Committee

Item 8-1

January 24, 2012

Requested Action

- Approve development principles and the proposed DVL land use planning concepts
- Authorize staff to initiate entitlement process and public outreach as development projects are determined to be feasible

Past Committee Presentations/Actions

RP&AM Committee Meeting	Topic
January 2010	Overview of land uses, alternatives, and economics of Diamond Valley Lake properties
May 2010	Oral report on lease of Diamond Valley Lake Visitor Center classrooms to the Western Science Center for the Western Center Academy
January 2011	Authorize entering into option agreements for lease of 627 acres of Metropolitan's Diamond Valley Lake property for a renewable energy project, subject to project approvals Initiation of CEQA compliance and entitlement activities for proposed Diamond Valley Lake land uses
September 2011	Authorize entering into an exclusive negotiating agreement with Diamond Development, LLC, for the development of a college campus at Diamond Valley Lake

General Real Estate Guidelines

- Generate revenue
- Benefits water industry
- Projects are sustainable
- Create jobs
- Determine best use of properties consistent with Metropolitan's mission
- All property matters go before Real Property and Asset Management Committee consistent with the recently adopted real estate policies

General Real Estate Guidelines (cont.)

- Use competitive processes for sale and leasing of properties, unless there is a strong public and Metropolitan purpose to sole sourcing a specific property and the buyer or leaser is a public or educational entity
- Maximize private sector involvement to enhance revenue potential and decrease public fund involvement

DVL Specific Development Guidelines

- Renewable energy related
- STEM educational facilities
- Experimental agricultural production to reduce water and energy consumption
- Water or energy technology research and manufacturing
- Student and faculty housing (East/North Property)
- Expand charter schools
- Recycle water storage

DVL Specific Development Guidelines (cont.)

- Develop overnight recreational facilities at the DVL marina
- Create a university village of cottages and small conference center on mesa overlooking DVL
- Reduce O&M costs at DVL Visitor Center and marina
- Shift specific building permit costs to developers
- Implement public outreach program with university and college input

Demographic Comparison

City/County	Median Age	Median Household Income	Population	Unemployment Rate
City of Hemet	44.6	\$31,032	71,801	17.6%
Riverside County	33.1	\$55,352	2,125,440	14.1%
Los Angeles County	32	\$54,467	9,848,011	12.2%
Orange County	33.3	\$71,865	3,026,786	9.1%
San Diego County	33.2	\$60,230	3,053,793	10.2%

Source: City-Data

Commercial Vacancy Rates

Office Vacancy Rate - Quarterly



Inland Empire office vacancy rate	23.8%
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Riverside office vacancy rate	25.2%
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Inland Empire office vacant sq. ft.	6,638,165
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Riverside office vacant sq. ft.	2,228,437
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Industrial Vacancy Rate - Quarterly



Inland Empire industrial vacancy rate	6.6%
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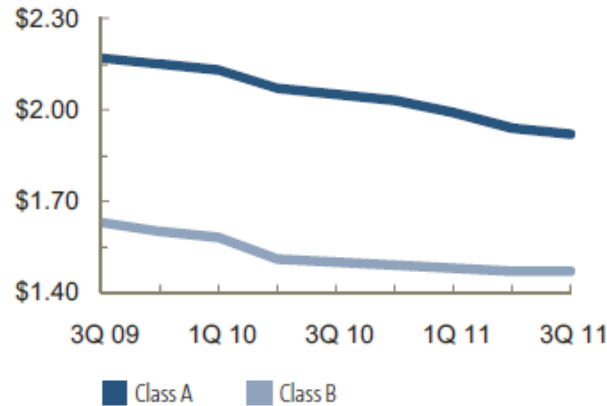
Riverside industrial vacancy rate	9.3%
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Inland Empire industrial vacant sq. ft.	22,207,672
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Riverside industrial vacant sq. ft.	3,577,361
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Inland Empire Leasing Rates

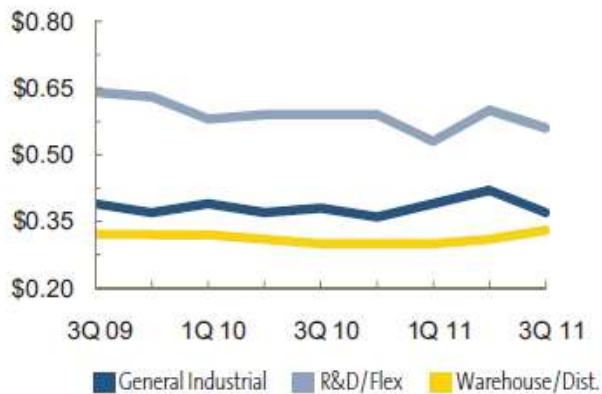
Office Rental Rates
Quarterly (\$/SF/Yr. Full Service)



Office Class B Rental Rate

\$1.47

Industrial Rental Rates
Quarterly (\$/SF/Mo. Triple Net)



R&D / Flex Rental Rate

\$0.56

Warehouse / Dist. Rental Rate

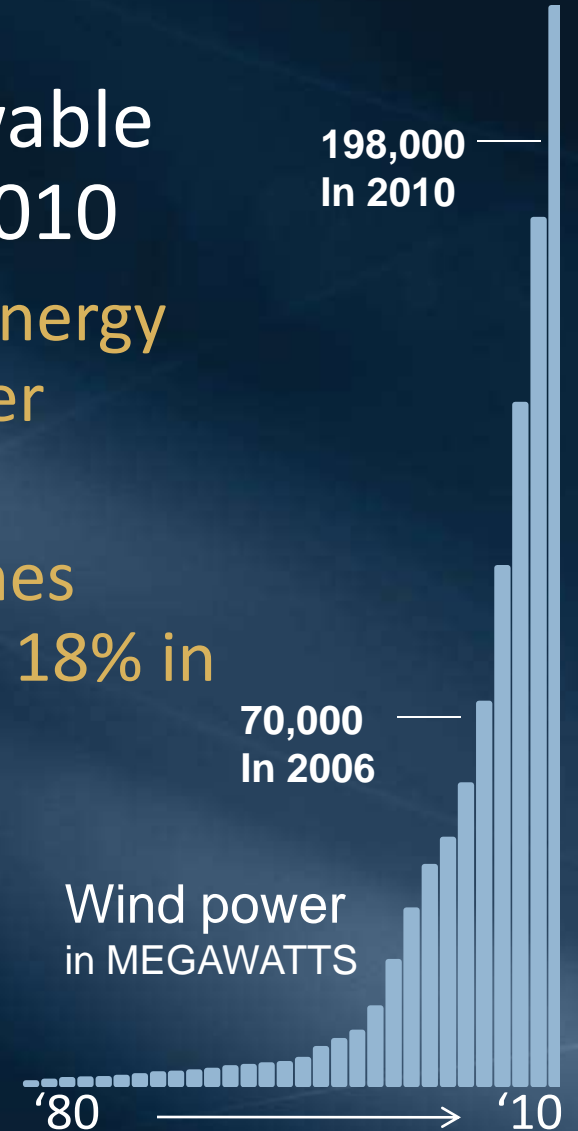
\$0.32

General Industrial

\$0.37

Renewable Energy Trends

- Total global investment in renewable energy reached \$211 billion in 2010
 - In the United States, renewable energy accounted for 25% of global power capacity additions in 2010
 - 31% of California's electricity comes from renewable sources, up from 18% in 2010



Solar Photovoltaic Trends

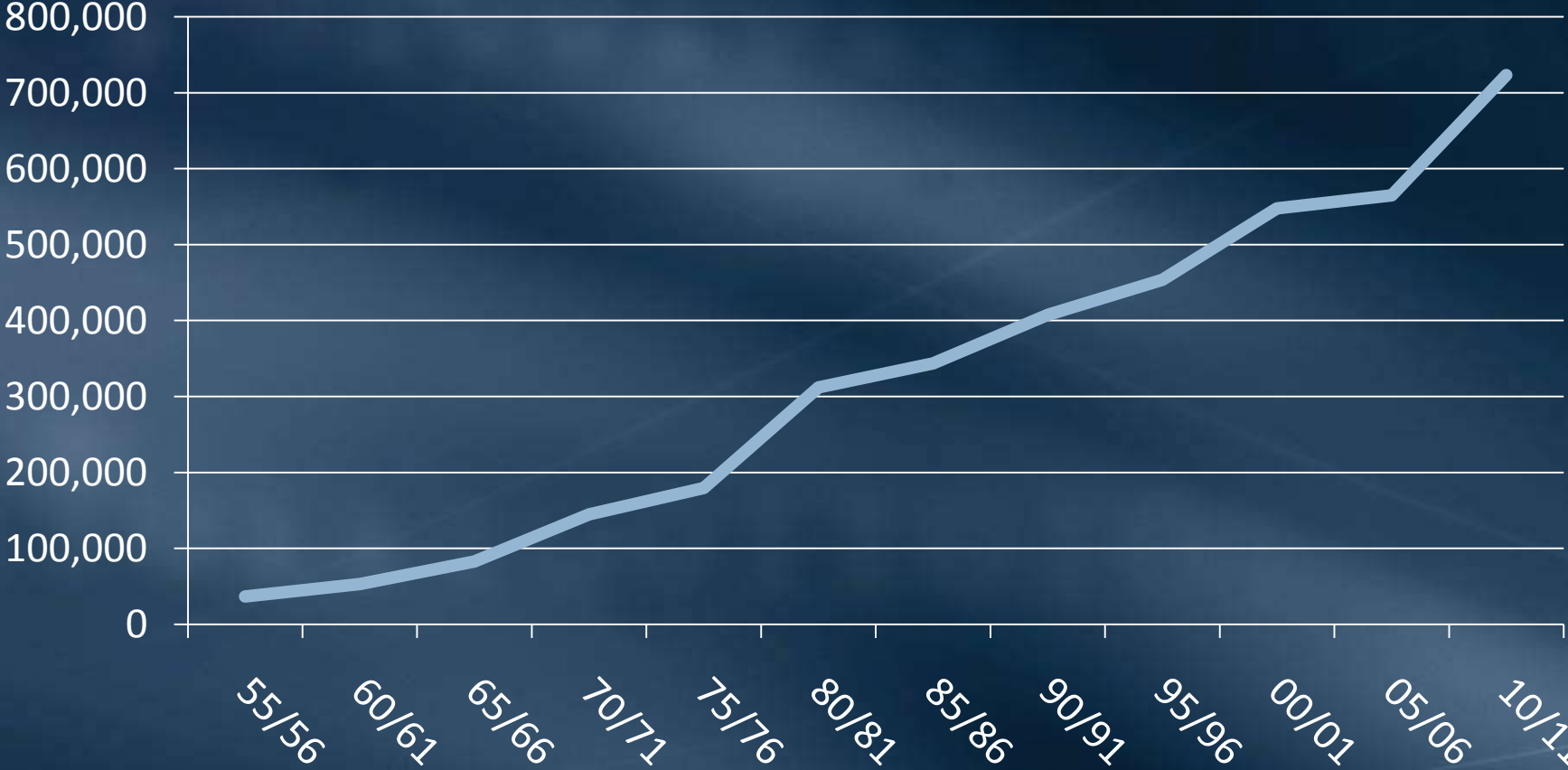
- Global production doubled in 2010
- 17 GW of PV added in 2010 globally
- US passed the 2.5 GW mark
- US market share to grow to 4.5 GW by 2014
- California remains the largest single market with 30% of the share
 - Despite the concentration in California, significant growth projected in the next 5 years

International Student Trends

- In 2010/11, international students in the U.S. increased to a record high of 723,277
 - 32% increase since 2000/01
 - Nearly 5% increase over 2009/10
- California is the top state, with 96,535 international students
- Top countries of origin: China, India, South Korea, Canada, and Taiwan

International Student Trends (cont.)

International Students Enrolled



DVL Real Property Management Strategy

- Protect assets adjoining DVL
 - By maintaining ownership to provide buffer from incompatible uses
 - While generating revenue by leasing land for compatible uses (e.g., solar, etc.)
- Enhance property values and surplus land

In Process/Active DVL Development

- Diamond Development/Cal Poly/Metropolitan
 - Conduct feasibility studies
 - Convert the DVL Visitor Center to college campus
 - Develop water executive management training program
 - Create STEM charter high school
 - Develop university village and conference center on the mesa overlooking DVL

In Process/Active DVL Development (cont.)

● Marina Operator

- Finalize long-term marina lease agreement
- Develop Fisherman's Village at DVL Marina (cottages and RVs)
- Expand retail space
- Construct on-water slips at operator cost

● Solar

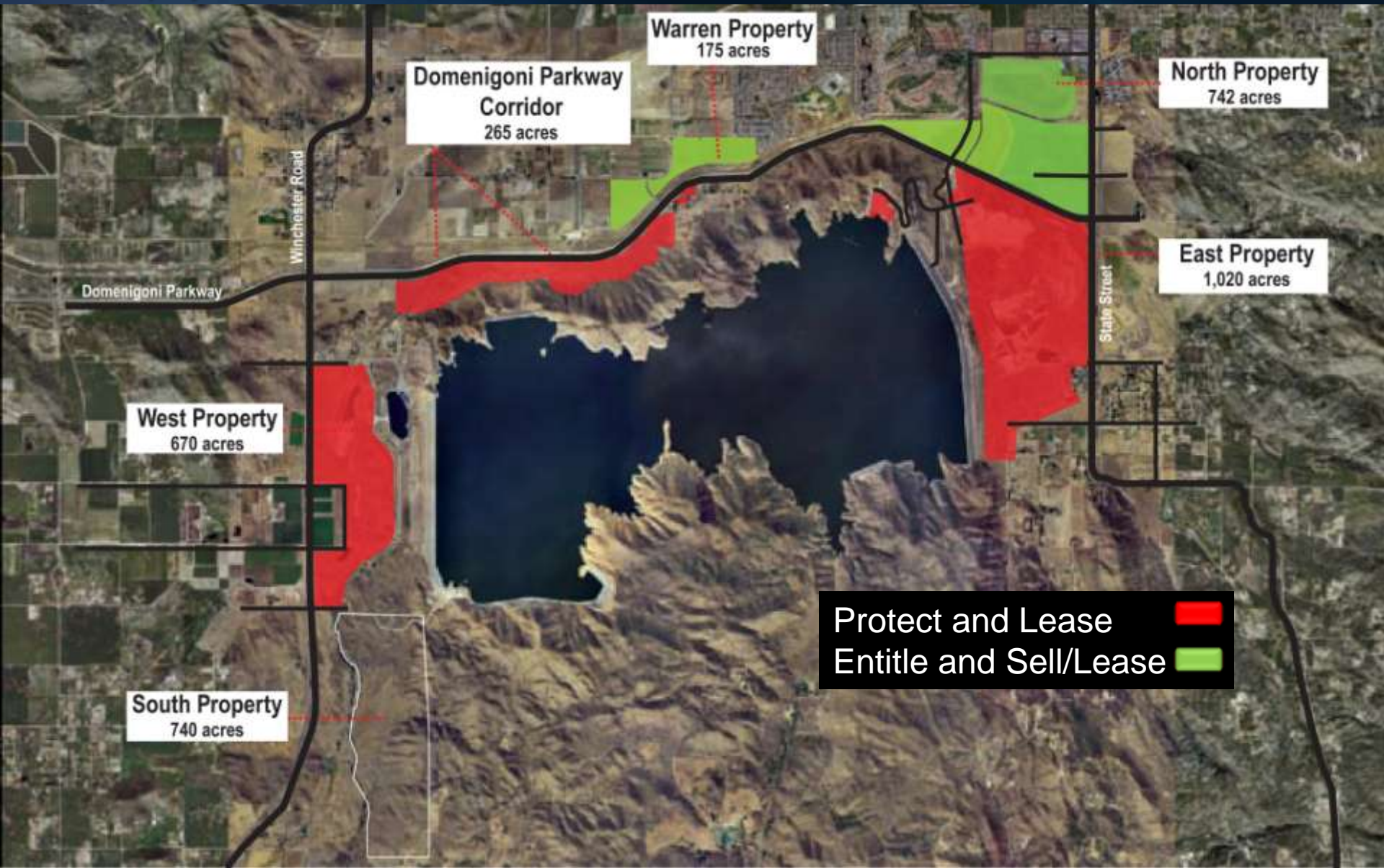
- SunEdison
 - Interconnect Phase I Study results due in January/February 2012
- Possible additional solar developer on North Property

In Process/Active DVL Development (cont.)

- Experimental farm
 - Cal Poly and HayDay farms are working together to demonstrate low water-use alfalfa on DVL property
 - Alfalfa would be sold to local dairy farmers

DVL: Metropolitan-Owned Property

Property adjacent to DVL totals 3,612 acres



Capitalizing on Existing Assets

Planning Framework



Creating Value

CATALYST SITE

Sustainable Institute



HIGH REVENUE USE

Solar Farms and
Future Clean Tech
Manufacturing



PUBLIC USE SPACE

Recreation Activities
RV Park
Marina



DVL: Surrounding Development



West: Solar Farm

Renewable energy generation for the future

Create jobs



- Projected revenue

- SunEdison awaiting SCE Phase I Interconnect Study (Feb. 2012)
- \$0.6 M through option agreement
- \$1 M/year beginning in 2014-15



Domenigoni: Test Plots

Spur innovation linked to renewable energy, agriculture and clean tech industries



- Experimental farm with HayDay Farms and Cal Poly SLO
- Projected revenue
 - FMV or profit sharing

Warren Road: Clean Tech Industrial

Create value through synergy; encourage high performing buildings and landscapes

Create jobs



- Light manufacturing or experimental farming
- Projected revenue
 - TBD

North Property

Renewable energy, sustainable village: connecting jobs, the environment, and place making

innovate



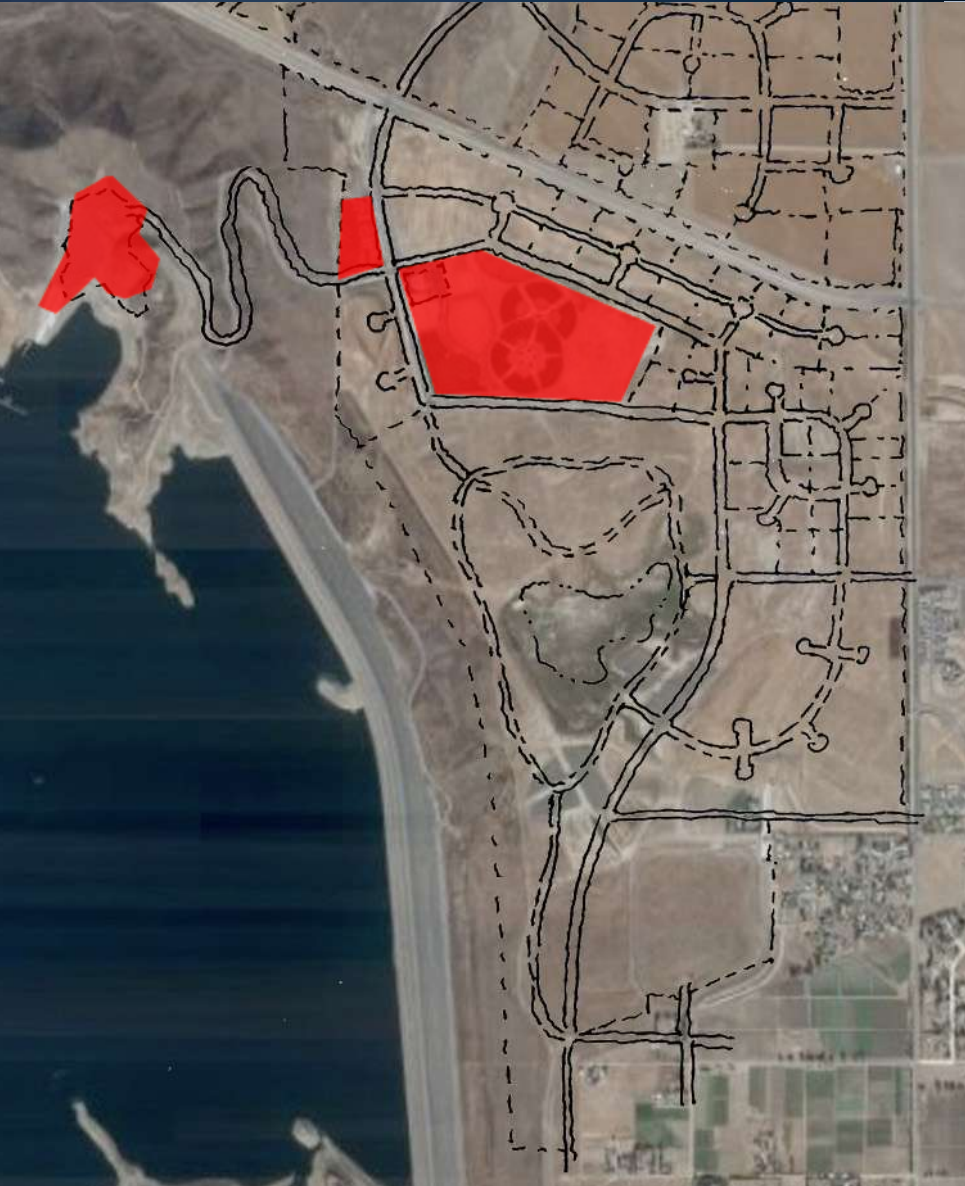
Projected revenue

- SunEdison awaiting Phase I Interconnect Study (Feb 2012)
- \$500K through option agreement
- Up to \$500K/year beginning in 2015
- Light Industrial: TBD

The Catalyst Site

Existing facilities: DVL Visitor Center, Valley-Wide , Western Science Center and Charter School

assets



- Projected revenue
 - \$18,000/year initially for additional classrooms

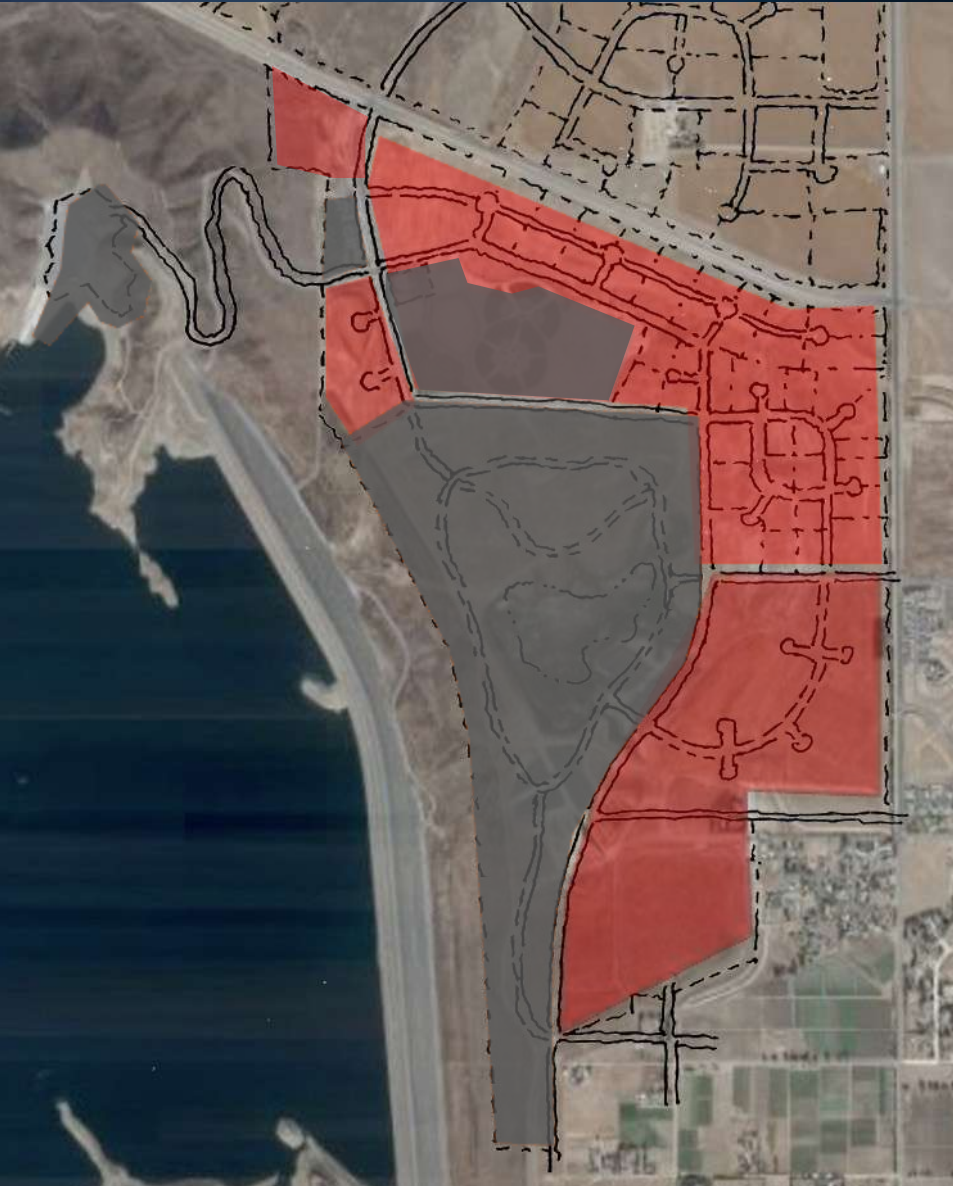
Potential Marina Development



- **Projected Revenue**
 - Marina (2011): \$35,000/year
 - Fisherman's Village (2013): \$42,000/year
 - University Village (2013): \$42,000/year

Education/Research

innovation



Next Steps

- Winter 2012
 - Economic feasibility studies and site planning by developers continue (at their costs) and pre-CEQA work begins
- Spring 2012
 - If feasible, developers start option and lease negotiations with staff
- Summer 2012
 - Option agreement comes to RP&AM and Board for consideration

Next Steps (cont.)

- Fall 2012
 - CEQA work for the development begins
- Fall 2013
 - Construction begins

Board Options

- Option 1
 - Adopt CEQA determination
 - Approve the development guidelines for the proposed DVL land use planning concepts
 - Initiate entitlement process and public outreach as development projects are determined feasible
- Option 2
 - Take no action

Staff Recommendation

- Option 1

