



- Board of Directors
Real Property and Asset Management Committee

3/13/2012 Board Meeting

7-2

Subject

Authorize long-term lease agreements on Metropolitan properties in the counties of Orange and Riverside, pending project approvals

Description

Staff is seeking board approval to enter into two long-term ground lease agreements with New Cingular and Rados Properties on Metropolitan properties in the counties of Orange and Riverside (**Attachment 1**). These leases will provide initial fair market annual revenues totaling \$38,400, as determined through appraisals. Both lease agreements comply with Metropolitan's standard leasing terms and conditions, including retaining Metropolitan's paramount rights to use the property for its water operations (**Attachment 2**). Internal multi-disciplinary evaluations determined that these lease agreements will not interfere with Metropolitan's water operations. Design and construction of planned improvements for lease agreements are subject to Metropolitan's review and written approval. Board authorization of these agreements is required given that the real property interest grants are for more than five years.

New Cingular (Attachment 3) is requesting a five-year extension to its existing telecommunications lease located near the Metropolitan's Santiago Lateral Tower at 4680-1/2 Greencrest Drive in Yorba Linda (**Attachment 4**). The original lease commenced in 1987, with an initial five-year term and two five-year extensions. New Cingular operates and maintains a 13-foot by 31-foot (403 square feet) outdoor equipment building along with a 35-foot monopole. Fair market rent for this extension is \$2,200 per month with automatic annual rent increases, up from the initial rent of \$500 per month in 1987. Termination is allowed at any time by either party with 365 days written notice or 60 days written notice in the event of either party's emergency, security, or operational requirements. New Cingular is responsible for abatement of weeds, trash, and debris at the site.

Rados Properties (Attachment 5) is requesting a 50-year lease agreement (an initial 30-year term, with two 10-year extensions) for the construction and maintenance of an overflow tractor trailer parking lot in connection with their planned one million-square-foot Perris Distribution Center. The extended term of this lease is necessary for this developer to market the site to prospective tenants and to obtain project financing. The 2.69-acre (117,176 square feet) site is located on a portion of Metropolitan's Colorado River Aqueduct (CRA) right-of-way, along Rider Drive between Webster and Indian Avenues in the city of Perris (**Attachment 6**). A similar agreement is in effect with Ross Distribution immediately to the north. The annual fair market rent is \$12,000 for the initial term, with automatic annual increases. Termination is allowed with 365 days written notice by Metropolitan based on its paramount rights or by Lessee with 90 days written notice. Rados Properties is responsible for abatement of weeds, trash, and debris at the site.

Policy

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

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

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management Documents

Metropolitan Water District Administrative Code Division VIII, Article 4; Disposal of Real Property, 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

Fair Market Value Policy

These agreements are at fair market value and are consistent with the Board's policy that Metropolitan property will be leased at fair market value.

California Environmental Quality Act (CEQA)

CEQA determinations for Option #1:

Lease Agreement #1 – New Cingular

CEQA determination for Option #1: The proposed action 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).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Section 15378(b)(2) of the State CEQA Guidelines.

Lease Agreement #2 – Rados Properties

Pursuant to the provisions of CEQA and the State CEQA Guidelines, on July 12, 2011, the Perris City Council, acting as the Lead agency, approved the project and certified a Final Environmental Impact Report for the Rados Distribution Center – Perris, Zone Change 070117, Development Plan Review 07-0119, and Agricultural Diminishment 07-0118. Findings were made pursuant to the provisions of CEQA and a Mitigation Monitoring and Reporting Program (MMRP) and Statement of Overriding Considerations (SOC) were adopted. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the Final EIR, and to adopt the Lead Agency's findings, SOC and MMRP prior to approval of the terms and conditions for the proposed lease agreement. The environmental documentation is available in the Board Executive Secretary's Office for review.

The CEQA determination is: Review and consider the information provided in the Lead Agency's approved CEQA document and adopt the Lead Agency's findings, SOC, and MMRP related to the proposed action.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determinations and authorize the General Manager to enter into lease agreements with New Cingular and Rados Properties.

Fiscal Impact: Metropolitan will initially receive \$38,400 in annual rent payments, with automatic annual rent adjustments.

Business Analysis: Allow Metropolitan to generate revenue and defray costs associated with weed abatement

Option #2

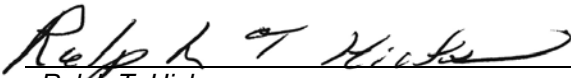
Take no action.

Fiscal Impact: Forgo opportunity to generate revenue

Business Analysis: Land would remain vacant and would not produce revenue for Metropolitan.

Staff Recommendation

Option #1



Ralph T. Hicks
Manager, Real Property Development and
Management

2/16/2012

Date



Jeffrey Kightlinger
General Manager

2/22/2012

Date

Attachment 1 – Summary of Proposed Long Term Agreements

Attachment 2 – Metropolitan's Standard Leasing Terms and Conditions

Attachment 3 – Fact Sheet Summary for New Cingular

Attachment 4 – Location and Site Maps for New Cingular

Attachment 5 – Fact Sheet Summary for Rados Properties

Attachment 6 – Location and Site Maps for Rados Properties

Ref# rpdm12616888

Requests for Long Term Agreements

LESSEE NAME	ACREAGE	TERM	RENT/FEE	USE/COMMENTS
Cingular Wireless PCS, LLC (RL 726)	0.14	5 years	\$26,400/year ⁽¹⁾	Renewal to the term for an existing telecommunications site located near the Santiago Lateral Tower
Rados Properties (RL 2560)	2.69	50 years ⁽²⁾	\$12,000/year ⁽³⁾	Overflow parking across a portion of the Colorado River Aqueduct right of way in the City of Perris for an adjacent commercial development

TOTAL ANNUAL REVENUE \$38,400/year

⁽¹⁾ Terms include a 3% annual rent escalation

⁽²⁾ Initial proposed term of lease is 30 years with two 10-year renewal options (total 50 years)

⁽³⁾ Terms include a 4% annual rent escalation

Metropolitan's Standard Leasing Terms and Conditions

- Metropolitan retains paramount rights to use the property.
- Lease provides only secondary uses and is not required by Lessee for primary or regulatory conditions or permits.
- Metropolitan has unconditional right to enter and inspect the property.
- No hazardous substances allowed.
- Rent based on market appraisal.
- Cancellation clause for one year or less (except for leases with public entities or for telecommunications purposes).
- Lessee responsible for maintenance.
- Lessee pays all applicable fees, costs, and taxes, e.g., business and possessory taxes.
- Lessee to maintain insurance, indemnification, defend, and hold harmless provisions protecting Metropolitan against liability.
- Any improvements provided by the tenant/lessee require prior written Metropolitan approval.
- Compliance is required with all local, state, and federal laws.
- An administrative processing fee paid by the requestor/applicant is generally required.
- Term length greater than five years requires board approval.

Prospective Long-Term Lease Holder – Fact Sheet Summary—New Cingular Wireless PCS, LLC

FACT SHEET—INFORMATION SUMMARY PROSPECTIVE LONG TERM LEASE HOLDER

New Cingular Wireless PCS, LLC (AT&T Mobility) VISIT WEBSITE: www.wireless.att.com

Company contacts regarding this prospective lease: Norma Earley (Coastal Business Group Inc.)

LEASING PROJECT: New Cingular Wireless is requesting a five-year extension to an existing telecommunications lease through which they operate a 403-sq ft equipment building and 35-foot monopole tower. FMV for this extension is \$2,200 per month with annual increases. The original lease in 1987 was \$500 per month. New Cingular under this extension would be responsible for weed abatement and removal of trash/debris at the site.

PROPERTY LOCATION DATA: The property is near Metropolitan's Santiago Lateral Tower located at 4680 ½ Greencrest Dr., in the City of Yorba Linda.

BUSINESS SUMMARY: New Cingular Wireless PCS, LLC, provides mobile and data communications services. The company focuses on offering corporate email and other data services through its GPRS, EDGE, and digital wireless voice, analog wireless voice; and wireless data, which include general packet radio service (GPRS), interactive messaging, corporate email access, short messaging, and wireless internet.

MARKET HISTORY: Originally formed in 1987, the company went through a series of mergers, acquisitions and sales which has resulted in its current name of New Cingular Wireless PCS, LLC. The company is a wholly owned and operated subsidiary of AT&T, specifically AT&T Mobility.

MARKET PERFORMANCE: AT&T Inc. is among the two largest U.S. telecommunications carriers, providing wireline and wireless voice, data, Internet and video service to customers in 22 states. The company's largest subsidiary, AT&T Mobility, is the second-largest wireless carrier in the U.S. by both sales and subscriptions, after Verizon Wireless Inc. AT&T Mobility has seen strong growth as the exclusive U.S. carrier for iPhone wireless users. As it continues to lose traditional wireline phone customers and its wireless growth slows, AT&T is moving aggressively to offer cable TV service. Most analysis shows the company with strong growth potential and excellent management.

This Fact Sheet was prepared from general information from the internet using the search term: "New Cingular Wireless, and AT&T Mobility" on 02/13/12.

COMPANY LOCATION:

World headquarters for AT&T is in Dallas, TX. The company employs over 256,000 people worldwide.

OWNERSHIP, GENERAL INFORMATION:

AT&T is a publicly traded company, on the NYSE with the symbol—T, and the company is one of 30 that makes up the Dow Jones Industrial Average. Stock prices—52 week high \$31.94, 52 week low—\$27.27, Price as of close of market 02/13/12—\$30.01
PE ratio—\$45.36
Volume—26.66 Million 02/13/12
Total Revenue—\$126.72 Billion
Net Income—\$3.9 4 Billion

**HEADLINES SAMPLING:
(On 02/13/12)**

Earnings Preview: Comcast to report 4Q earnings *AP (Mon 6:03PM EST)*

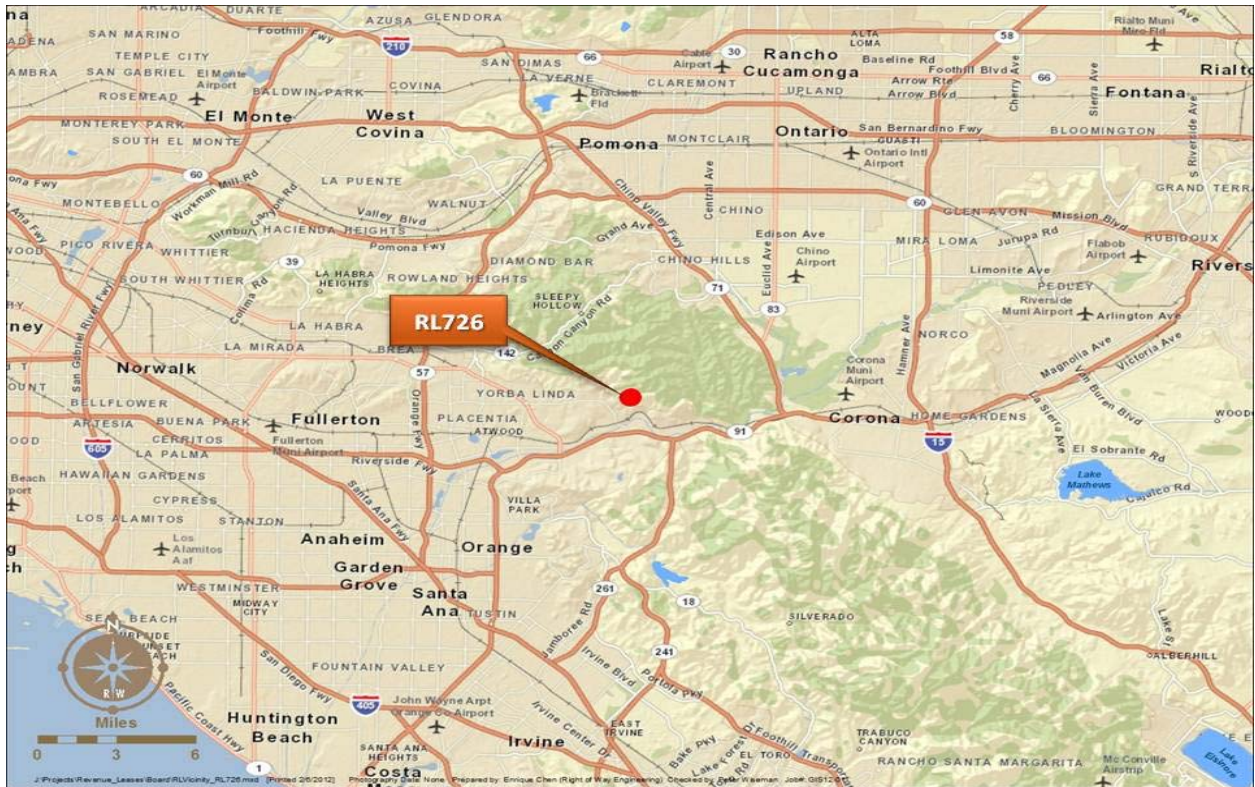
Rackspace Revenue Growth Rolls On *at TheStreet (Mon 5:03PM EST)*

AT&T And Sprint: First Move Towards Cutting Smartphone Subsidies *at Seeking Alpha (Mon 4:11PM EST)*

AT&T Doubles Upgrade Fee for Cellphones *at New York Times (Mon 4:04PM EST)*

Why a Popping Dividend Bubble Is Great News for Long-Term Investors *at Motley Fool (Mon 3:50PM EST)*

AT&T customers surprised by 'unlimited data' limit *AP (Mon 3:25PM EST)*



Prospective Long-Term Lease Holder – Fact Sheet Summary—Rados Properties

**FACT SHEET—INFORMATION SUMMARY PROSPECTIVE LONG TERM LEASE HOLDER
RADOS PROPERTIES VISIT WEBSITE: www.radosproperties.com**

Company contacts regarding this prospective lease: Les Brown, Operations Executive

LEASING PROJECT: Rados Properties is requesting a 50-year lease (30 years plus two 10 year extensions) for construction and maintenance of an overflow tractor-trailer parking lot as part of a 1-million sq. foot Perris Distribution Center.

PROPERTY LOCATION DATA: The property along Metropolitan's Colorado River Aqueduct (CRA) right-of-way is located in the City of Perris, Riverside County, along Rider Dr. between Webster and Indian Avenues.

Rados Properties seeks a lease from Metropolitan for 2.69 acres (117,176 sq. feet) for parking of freight trailers on the site. Operations of the CRA would not be affected. The requested lease is similar to an existing agreement for the same use on the CRA right-of-way adjacent (north) with Ross Distribution

COMPANY LOCATION:
2002 E. McFadden Ave.,
Suite 200 Santa Ana, CA 92705
Phone (714) 835-4612

OWNERSHIP, GENERAL INFORMATION:

Rados Properties, a part of Steve P. Rados Inc. is a privately held firm, therefore is not a publicly traded company (no stock info).

The engineering and construction company was founded nearly 90 years ago in California, and specializes in large public infrastructure projects including bridges, highway interchanges, water transmission lines, sewer systems and treatment plants, flood control structures, marine pipelines, reservoirs and channels.

DEVELOPMENT ACTIVITY:

Rados Properties has several industrial developments in Southern California, including:

- The Holmes Group, a 827,560 sq ft warehouse in Fontana
- Converse, a 250,430 sq ft warehouse in Fontana
- Graebel Van Lines, a 78,000 sq ft warehouse in Fontana.

**HEADLINES SAMPLING:
(Week of 02/06/12)**

None found for Rados Properties

PRESS RELEASES:

Several press releases can be found for Steve P. Rados Inc., at their website. www.radosproperties.com all of which are related to the engineering-construction company, and all awarded contracts to the firm are in the hundreds of millions of dollars

BUSINESS SUMMARY: Rados Properties is a part of Steve P. Rados, Inc., one of the largest privately held engineering construction firms in the State of California. Rados Properties handles real estate solutions for their clients ranging from strategically located offices to “big box” cross-docked warehouses in the Inland Empire.

As part of the engineering construction firm, Rados Properties shares personnel and infrastructure established to support the construction aspects of the larger company.

Rados Properties office and retail complexes serve or have served clients including but not limited to:

- Standard Concrete
- Calaveras Cement
- Material Handling Supply
- Pacific Telesis (Now SBC)
- Conroys

The company's “land-bank” offers both developed and raw land for sale and lease; current clients include:

- Inland Kenworth
- Kelly Pipe
- Lewis Operating Corp
- Swinerton and Walberg

This Fact Sheet was prepared from general information from the internet using the search term: “Rados Properties” on 02/13/12.

