



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

6/11/2013 Board Meeting

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**7-1**

**Subject**

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Affirm the General Manager's determination that one parcel acquired for the construction of the Inland Feeder, a portion of Metropolitan Water District of Southern California's Parcel No. INFED1-24-150 (APN 0299-111-02) is surplus to Metropolitan's needs

**Executive Summary**

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The General Manager has determined that a 8.426-acre portion of a 19.986-acre parcel (**Attachment 1**) in the unincorporated community of Mentone, California, acquired for the construction of the Inland Feeder, is surplus to Metropolitan's needs and can be sold pursuant to Metropolitan's Administrative Code Sections 8240 through 8258: Disposal of Real Property.

**Details**

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The subject parcel (INFED 1-24-150, APN 0299-111-02) is located adjacent to the Inland Feeder Pipeline and Opal Portal in the unincorporated community of Mentone, in San Bernardino County. In 1994, the 19.986-acre assessor parcel was appraised for acquisition purposes. This valuation provided a market value estimate of \$765,000 as of August 1994. The appraiser determined that up to eight residential lots were possible at the time of appraisal. This parcel was later acquired for the amount of \$1,060,000 as a negotiated settlement to avoid condemnation. The total area of this assessor parcel was acquired to avoid severance damages that could have resulted from a partial acquisition. Subsequent to this site acquisition, the Inland Feeder pipeline project was built. This east side of this parcel is encumbered with the Inland Feeder Pipeline, Mentone Portal and Mentone Tunnel crossing north to south. A 1.560-acre portion of this parcel will be retained for the portal in fee, and permanent easements totaling 3.964 acres will be retained for the Inland Feeder pipeline and tunnel. After subtracting the 1.560-acre portal site and 3.964-acre permanent easements to be retained, the remaining area that can potentially be developed without encumbrances is 14.462 acres. Compatible uses such as landscaping, access and parking will be allowed on the retained permanent easement parcels.

The rural living zoning of this parcel requires minimum lot sizes of five acres. The nearby orange groves in this rural area are slowly transitioning to residential development where some of the trees are removed for home sites, while leaving some of the orange trees in place as a landscaping buffer.

In February 2012, a ten-acre portion of the 19.986-acre parcel was declared surplus. Staff has since determined that of the remaining 9.986 acres owned in fee, 1.56 acres must be retained in fee exclusively for the portal site and a permanent easement must be maintained on 3.964-acres for the operation and maintenance of the Inland Feeder pipeline and tunnel. The permanent easement would substantially restrict a potential buyer's development or use of the 3.964 acres. Combining the existing surplus ten-acre parcel with the additional 8.426-acre nonoperational parcel will create a parcel with a combined area of 18.426 acres. Metropolitan's current annual estimated expenses for maintaining the 18.426-acre parcel are \$18,892, including \$12,000 for orange grove maintenance; \$630 for water-share assessments; and \$6,262 for real property tax. Metropolitan is required to pay real property taxes on property outside of its service area. The area is under threat of a citrus disease that could result in increased maintenance costs and liability.

The combined 18.426-acre parcel was appraised for \$370,000 by an independent MAI and State Certified appraiser in September 2012 (**Attachment 2**) in conformance with Metropolitan's Administrative Code Section 8231: Appraisals of Real Property Interests. The appraised value attributable to the 8.426-acre parcel is \$85,000, due to the restrictions on development and use placed on the permanent easement parcel by Metropolitan. The ten-acre parcel that was previously declared surplus has an appraised value of \$285,000. The appraiser determined that up to three residential lots are possible on the combined site as currently zoned. The difference between the 1994 valuation of \$765,000 and the current market value of \$370,000 is attributable to the reduced parcel size, substantial encumbrances on the remaining acreage by Inland Feeder project improvements, and reduction in the assumed number of potential building lots.

After compliance with any applicable requirements of the Surplus Lands Act, requiring notification of specifically designated public agencies, the property can then be disposed of in accordance with the real property provisions of Metropolitan's Administrative Code. See **Attachment 3** for the Surplus Property Decision Tree.

Proceeds from the sale of the property will be applied to the Inland Feeder appropriation.

## Policy

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

Metropolitan Water District Administrative Code Sections 8240-8258: Disposal of Real Property

## California Environmental Quality Act (CEQA)

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CEQA determination for Option #1:

The proposed action, 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 action may have a significant effect on the environment, the proposed action is 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 sale of surplus government property with no statewide, regional, or area-wide importance, which will not have a significant effect on the environment. Accordingly, the proposed action qualifies as a Class 12 Categorical Exemption (Section 15312 of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action, declaring the subject property surplus to Metropolitan's needs, 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 as a Categorical Exemption (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

- a. Affirm the General Manager's determination that the subject property comprised of 8.426 acres in the unincorporated community of Mentone, San Bernardino County, California is surplus and carry out disposition of the property in its current condition; and
- b. Market the combined 18.426-acre parcel for sale on the open market for not less than its appraised value.

**Fiscal Impact:** Revenue from sale of the property upon close of escrow, less disposition expenses, with an estimated \$18,892 reduction in annual costs associated with maintenance of the property

**Business Analysis:** The property is excess to Metropolitan's needs and imposes annual maintenance costs and real property taxes. The property is marketable at the appraised value.

**Option #2**

Do not surplus the property.



**Fiscal Impact:** Continued ownership expenses and associated costs for maintenance, water share assessments, and real estate taxes

**Business Analysis:** Metropolitan continues its fee ownership of the property and will incur ongoing maintenance costs with no foreseeable revenue.

**Staff Recommendation**

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Option #1

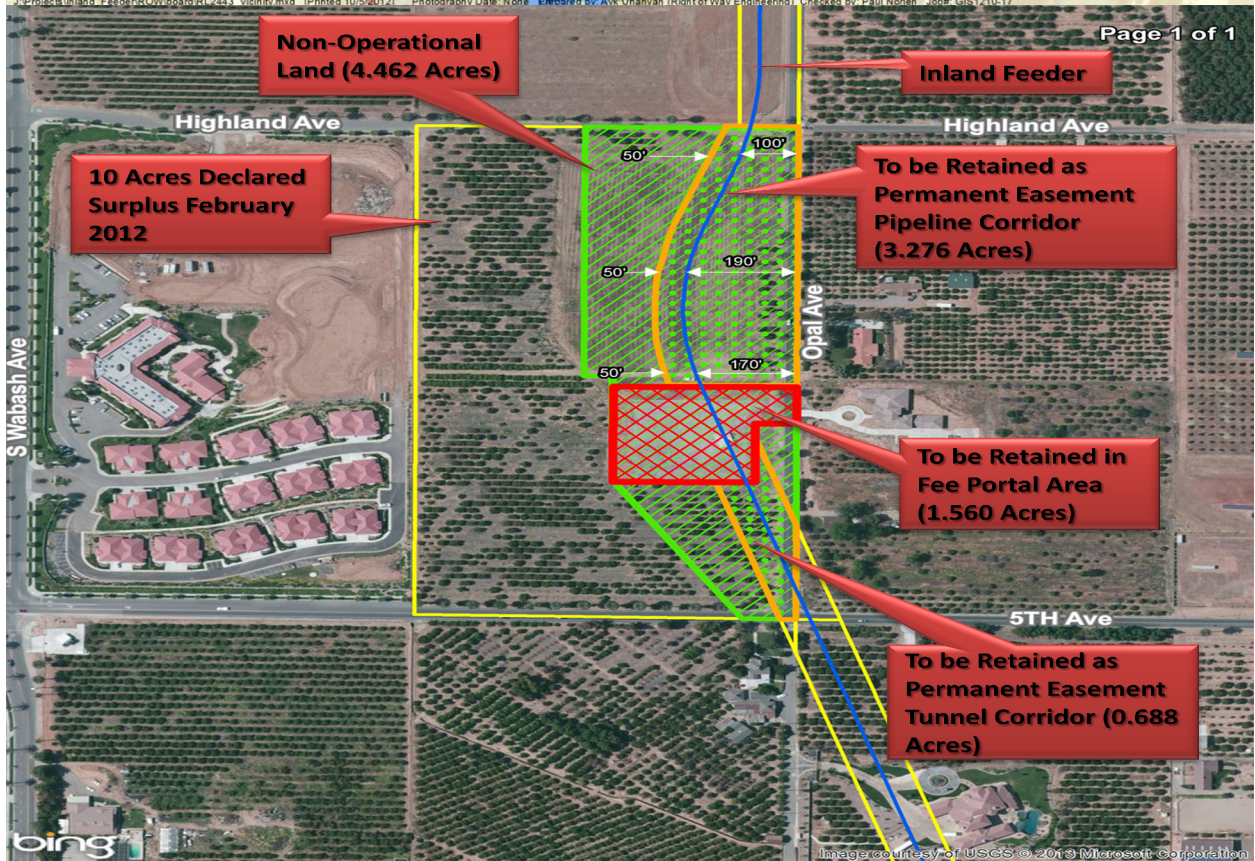
	5/20/2013
John Clairday Manager, Real Property Development and Management	Date
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	5/21/2013
Jeffrey Kichtlinger General Manager	Date

**Attachment 1 – Location and Site Maps**

**Attachment 2 – Summary of Appraisal**

**Attachment 3 – Surplus Process and Flowchart**

Ref# rpdm12624493



**SUMMARY OF APPRAISAL**

**Property Owner:** The Metropolitan Water District of Southern California

**Metropolitan Parcel No.:** INFED1-24-150

**Metropolitan Facility:** Inland Feeder

**APN:** 0299-111-02

**Appraiser:** Robert M. Lea, MAI, Jerardo Arciniega

**Location:** North side of 5<sup>th</sup> Avenue, west of Opal Avenue, unincorporated Mentone community, San Bernardino County

**Property Type:** Acreage with orange grove

**Land Area:** 18.426 acres

**Interest Appraised:** Fee simple

**Zoning:** RL-5 Rural Living, which allows agricultural and residential uses with five-acre minimum lot size.

**Date of Value:** September 4, 2012

**Appraised Value:** \$370,000

# Surplus Process and Flowchart

