AGENDA
IRVINE RANCH WATER DISTRICT
ASSET MANAGEMENT COMMITTEE
WEDNESDAY, APRIL 29, 2015

CALL TO ORDER	12:00 p.m., Committee Room, Second Floor District Office 15600 Sand Canyon Avenue, Irvine, California
ATTENDANCE	Committee Chair: John Withers ____ Committee Member: Peer Swan ____

ALSO PRESENT	Paul Cook	____	Tanja Fournier	____
	Rob Jacobson	____	____	____
	Cheryl Clary	____	____	____
	____	____	____	____

COMMUNICATIONS

1. Notes: Jacobson
2. Public Comments.
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

5. REAL ESTATE QUARTERLY PERFORMANCE – MARCH 2015 – DAVIS/FOURNIER/JACOBSON/CLARY

   Recommendation: Receive and file.

6. 2014 ANNUAL REPORT – RESIDENTIAL INVESTMENT PROPERTY PERFORMANCE – JACOBSON/CLARY

   Recommendation: Receive and file.

7. ASSET OPTIMIZATION – LAKE FOREST/SERRANO SUMMIT PROPERTY ENVIRONMENTAL PERMITTING AND DEVELOPMENT UPDATE – JACOBSON/CLARY

   Recommendation: Receive and file.

ACTION

8. IRWD APARTMENT CONSULTANT – CONTRACT RENEWAL – JACOBSON/FOURNIER/CLARY

Recommendation: That the Committee approve the retention of Market-THINK LLC as apartment consultant for the District's apartment properties for a period of two years effective May 1, 2015 for an amount not to exceed $103,080, which includes monthly out-of-pocket expenses estimated at $50.00 per month.

OTHER BUSINESS

9. A. Directors' Comments

B. CLOSED SESSION: Conference with Real Property Negotiator Government Code Section 54956.8).
Property: Assessor's Parcel No. 530-105-20
Negotiating Party: Doug Walker
Agency Negotiator: Paul Cook, General Manager
Purpose of Negotiations: Price and Terms of Payment

C. Adjourn

* *

April 29, 2015
Prepared by: J. Davis / T. Fournier
Submitted by: R. Jacobson / C. Clary
Approved by: Paul Cook P. Cook.

ASSET MANAGEMENT COMMITTEE

REAL ESTATE QUARTERLY PERFORMANCE – MARCH 2015

SUMMARY:

Staff will provide the Committee with an update on the financial performance of the District's real estate investments and other revenue-generating properties for the quarter and fiscal year periods ended March 31, 2015.

BACKGROUND:

For the quarter ended March 31, 2015, the District's residential and commercial real estate investments provided net operating income (NOI) of $2.4 million, which represents a 13.20% return for the period. For the fiscal year (FY) to date, the NOI is $6.8 million. Land lease income from the Strawberry Farms Golf Course was $105,703 and $353,454 for the quarter-end and FY periods, respectively. Lease revenue from the District's five cell sites was $118,343 for the quarter, and is $215,970 year to date. A report detailing the NOI and returns for the District's real estate investment properties, golf course and cell sites is attached as Exhibit "A". Staff will provide updated property information at the meeting.

Residential Investment Properties:

For the quarter ended March 31, 2015, the NOI for the Sycamore Canyon Apartments was $1.9 million and $5.3 million year to date. This represents a favorable variance to budget of approximately $82,000 and $300,000 respectively, due primarily to lower vacancies and higher-than-expected lease rate increases. Over the next month, additional landscape renovations will begin at the property, which include the removal of approximately 14,400 square feet of turf to be replaced by drought-tolerant ground cover and plants. The turf removal is in addition to approximately 46,300 square feet of turf removed and replaced during landscape renovations from 2010-13, resulting in a reduction of approximately 15% in irrigation water use at the property. The District's limited partnership investment in the Wood Canyon Villa property earned a preferred return of 9.00%, with a net return of 8.58% and 8.53% for the quarter end and FY periods, respectively.

Commercial Investment Properties:

The NOI for the quarter ended March 31, 2015 at the Irvine Market Place (230 Commerce) property was $117,749, which was unfavorable to budget by $11,997. The variance is primarily due to tenant improvement / move-in timing for a new tenant and higher-than-budgeted utility expenses. For the FY to date, the NOI is $277,396, which is unfavorable to budget by $122,721, primarily due to higher-than-expected vacancies in the first two quarters. Staff is currently completing lease negotiations with a new tenant for Suite 190. Once this lease is complete, there will be two suites (110 and 185) available at the property.

The NOI for the Waterworks Way Business Park property for the quarter ended March 31, 2015 was $37,481, which was in line with the budget. For the FY to date, the NOI was $241,371, which was unfavorable to budget by $30,889, primarily due to unanticipated vacancies earlier in the FY. The property is currently 100% occupied.

The NOI for the Sand Canyon Professional Center medical office property was $163,384 for the quarter ended March 31, 2015, which was unfavorable to budget by $12,173, primarily due to reconciliation and adjustment in common area maintenance expenses. For the FY to date, the NOI at the property is $531,207, which is favorable to budget by $5,120, due to late fees from tenants and a utility credit. The property is currently 100% occupied.

Strawberry Farms Golf Course and Cell Site Leases:

For the quarter ended March 31, 2015, the land lease income for was $105,703, which was unfavorable to budget by $7,957 due primarily to reduced purchased rounds of golf. This compares with income of $113,660 for the same period last year, representing a 7.00% decrease for the period. The FY to date income is $353,454, representing a 3.86% decrease compared to the same period last year. The quarter and year-to-date lease revenue from the District's five cell sites was in line with budget at $118,343 and $215,970, respectively.

FISCAL IMPACTS:

For the quarter and fiscal year-to-date periods ended March 31, 2015, the District's commercial and residential real estate investments provided NOI of $2.4 million and $6.8 million, respectively. Strawberry Farms Golf Course land lease revenue was $105,703 for the quarter and $353,454 for the FY to date. District cell site revenue was $118,343 for the quarter and the FY to date is $215,970.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Real Estate Performance Report

Exhibit "A"

Irvine Ranch Water District
Real Estate Investment Performance Report
as of March 31, 2015

INCOME PROPERTIES			FY 2014-15					FY 2014-15 RATE OF RETURN				3 Year Average Rate of Return	5 Year Average Rate of Return
Property Description	Capital Investment	Investment Inception	Jan-15	Feb-15	Mar-15	FY Q3	FY 2014-15 TOTAL	FY Q1	FY Q2	FY Q3	Average Fiscal YTD	FY 12/13 - 14/15	FY 10/11 - 14/15
Sycamore Canyon Apartments	$43,550,810	Dec-92	$ 639,030	$ 589,461	$ 648,214	$ 1,876,705	$ 5,347,448	15.98%	15.90%	17.24%	16.37%	15.06%	14.17%
Wood Canyon Villa Apartments	$6,000,000	Jun-91	$ 45,863	$ 41,425	$ 45,863	$ 133,151	$ 403,892	8.56%	8.44%	8.58%	8.53%	8.48%	8.40%
Irvine Market Place Office	$5,739,845	Jul-03	$ 31,581	$ 39,786	$ 46,382	$ 117,749	$ 277,396	5.68%	5.44%	8.21%	6.44%	7.26%	6.88%
Waterworks Way Business Park	$8,630,577	Nov-08	$ 37,692	$ 33,159	$ 37,481	$ 108,332	$ 241,371	3.62%	2.55%	5.02%	3.73%	4.16%	3.58%
Sand Canyon Professional Center	$8,648,594	Jul-12	$ 43,424	$ 61,454	$ 58,506	$ 163,384	$ 531,207	8.41%	8.60%	7.56%	8.19%	6.81%	
TOTALS	$72,569,826		$797,590	$765,285	$836,446	$2,399,321	$ 6,801,314	12.18%	12.00%	13.20%	12.46%	11.62%	10.17%

<u>Notes/Assumptions:</u>

- Wood Canyon cash flows represent partnership cash distributions from Western National Group.

- The 9.00% Preferred Return for Wood Canyon accrues on the original $6 million investment amount along with any accrued preferred return. The current total monthly accrual is approximately $45,000/month.

- Capital Investment does not include depreciation; Sycamore Canyon 2007-08 renovation costs included in Capital Investment total.

- IMP capital investment amount includes land cost of $871,396; Waterworks Business Park capital investment includes land cost of $2,420,213.

RE.PERFORMANCE.RPT Mar 2015.xlsx

Irvine Ranch Water District
Real Estate Investment Performance Report
Strawberry Farms Golf Course & Cell Site Income
as of March 31, 2015

2014-15 NET INCOME					
Property Description	Jan-15	Feb-15	Mar-15	FY Q3	NET INCOME 2014-15
Strawberry Farms Golf Course	$32,236	$35,778	$37,689	$105,703	$353,454
TOTALS	$32,236	$35,778	$37,689	$105,703	$353,454
Change From Prior Period				-$7,957 -7.00%	-$14,195 -3.86%

2014-15 NET INCOME					
Property Description	Jan-15	Feb-15	Mar-15	FY Q3	NET INCOME 2014-15
Cell Sites	$9,779	$13,459	$95,105	$118,343	$215,970
TOTALS	$9,779	$13,459	$95,105	$118,343	$215,970

* March Cell Site NOI includes revenue share.

April 29, 2015
Prepared by: Rob Jacobson
Submitted by: Cheryl Clary
Approved by: Paul A. Cook

ASSET MANAGEMENT COMMITTEE

2014 ANNUAL REPORT
RESIDENTIAL INVESTMENT PROPERTY PERFORMANCE

SUMMARY:

Staff and the District's apartment property consultant, Ms. Susan Sirota of Market-THINK, will present the annual performance report for the Sycamore Canyon and Wood Canyon Villa apartment properties for the calendar year ended December 31, 2014. The report will include property management and capital improvement plans for calendar year 2015, as well as an update on expectations for Orange County's apartment market for the year.

BACKGROUND:

Staff has completed its analysis of the 2014 financial statements (calendar year), and final 2015 operating and capital budgets for the Sycamore Canyon and Wood Canyon Villa apartment properties as submitted by the District's apartment property manager (Western National Properties). Staff and Ms. Sirota will present the following:

- A report of the 2014 financial performance for the District's residential investment properties including an overview of completed capital projects;
- A review of budget highlights and planned capital projects for 2015, including slope turf replacement and irrigation renovations, installation of remaining mailboxes, painting of building trim and completion of recommended ADA compliance improvements; and,
- A forecast and year-to-date update of Orange County apartment market activity for 2015, including new apartment construction projects, rental rate and occupancy projections and perspectives on the 2015 apartment leasing market from industry economists.

The Sycamore Canyon and Wood Canyon Villa calendar year 2015 budgets are attached as Exhibits "A" and "B", respectively. Presentation books will also be distributed at the meeting.

FISCAL IMPACTS:

For calendar year 2014, the net operating income (NOI) from the Sycamore Canyon Apartments property was $6.9 million versus a budget of $6.2 million. The District's preferred return income from the Wood Canyon Villa property was $540,000. For calendar year 2015, NOI from the Sycamore Canyon Apartments property is projected at $7.0 million. The District's preferred return income from the Wood Canyon Villa property is projected at $540,000.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Sycamore Canyon 2015 Operating and Capital Budget Summaries
Exhibit "B" – Wood Canyon Villa 2015 Operating and Capital Budget Summaries

Exhibit "A"

EXECUTIVE SUMMARY - REVIEW
Thursday, December 18, 2014   10:30:33AM

Budget Year January 2015

SYCAMORE CANYON 2253 (450 Units)

	2014 Budget	2014 Actual	Variance %	2015 Budget	Change %	Per Unit
SYCCNYN MARKET RENT	9,412,520	9,689,383	2.94%	10,070,556	3.93%	22,379
SCHEDULED RENT	9,290,865	9,410,506	1.28%	9,711,597	3.19%	**21,581**
SYCCNYN VACANCY	(475,948)	(432,239)	-9.18%	(437,253)	1.16%	**(972)**
SYCCNYN EMPLOYEE ALLOWANCE	(8,850)	(10,169)	14.90%	(8,670)	-14.74%	**(19)**
SYCCNYN MODEL	(22,960)	(23,960)	4.35%	(22,140)	-7.59%	**(49)**
SYCCNYN DELINQUENT WRITE - OFF	(6,750)	(27,458)	306.78%	(21,450)	-21.88%	**(48)**
SYCCNYN PRIOR WRITE-OFF'S COLLECTED	7,450	3,112	-58.22%	3,550	14.07%	**8**
SYCCNYN RR- OTHER	72,250	101,827	40.93%	95,925	-5.79%	**213**
INCOME RENT	**8,856,057**	9,021,619	**1.87%**	9,321,559	3.32%	**20,715**
SYCCNYN RENT - FURNITURE	1,428	0	-100.00%	36	100.00%	**0**
SYCCNYN OTHER SERVICES	142,758	123,612	-13.41%	131,595	6.45%	**292**
SYCCNYN OTHER WRITE OFFS	(5,975)	(7,399)	23.83%	(7,425)	0.35%	**(17)**
SYCCNYN LAUNDRY SERVICES	14,825	16,270	9.74%	16,300	0.18%	**36**
SYCCNYN UTILITY REIMBURSEMENT	164,820	177,706	7.81%	183,036	2.99%	**407**
SYCCNYN LEGAL REIMBURSEMENT	2,750	8,685	215.81%	5,750	-33.79%	**13**
SYCCNYN INTEREST INCOME	230	105	-54.34%	230	119.02%	**1**
SYCCNYN SECURITY DEPOSIT RETENTION	56,954	69,205	21.51%	64,500	-6.79%	**143**
INCOME OTHER RENT	**377,790**	388,185	**2.75%**	394,022	1.50%	**876**
GROSS RENTAL INCOME	**9,233,846**	9,409,804	**1.91%**	9,715,581	**3.25%**	**21,590**
TOTAL INCOME	**9,233,846**	9,409,804	1.91%	9,715,581	3.25%	**21,590**
SYCCNYN PROFESSIONAL MANAGEMENT	230,846	235,357	1.95%	242,890	3.20%	540
SYCCNYN PAYROLL MANAGEMENT	97,751	95,848	-1.94%	100,697	5.05%	224
SYCCNYN APT ALLOWANCE	203,209	205,618	1.18%	217,968	6.00%	484
SYCCNYN TAXES / W.C.	137,500	132,526	-3.61%	139,850	5.52%	311
SYCCNYN HEALTH INSURANCE	59,726	49,460	-17.18%	53,568	8.30%	119
MANAGEMENT/ADMIN	**729,033**	**718,809**	-1.40%	**754,973**	5.03%	**1,678**
SYCCNYN OFFICE	32,540	34,033	4.58%	36,052	5.93%	80
SYCCNYN APPLICATION FEES	12,500	7,175	-42.60%	8,034	11.97%	18
SYCCNYN LEGAL ACCOUNTING	4,423	9,150	106.86%	8,831	-3.48%	20
SYCCNYN LICENSE	9,873	9,737	-1.37%	9,847	1.12%	22
GENERAL OFFICE	**59,336**	**60,094**	1.28%	**62,764**	4.44%	**139**
SYCCNYN MEDIA ADVERTISING	50,703	47,290	-6.73%	48,924	3.45%	109
SYCCNYN PROMOTION	23,145	17,162	-25.84%	19,475	13.47%	43
ADVERTISING/PROMO	**73,848**	**64,452**	-12.72%	**68,399**	6.12%	**152**
SYCCNYN RENTUP CLEANING	30,227	29,543	-2.26%	29,994	1.52%	67
SYCCNYN RENTUP PAINTING	51,265	50,645	-1.21%	53,224	5.09%	118
RENTUP EXPENSE	**81,492**	**80,188**	-1.60%	**83,218**	3.78%	**185**
SYCCNYN MAINTENANCE PAYROLL	308,711	278,112	-9.91%	300,227	7.95%	667
SYCCNYN MAINT - FIRE/LIFE/SAFETY	145,202	133,182	-8.27%	161,695	21.40%	359
SYCCNYN MAINTENANCE PLUMBING	21,764	33,212	52.60%	35,400	6.58%	79
SYCCNYN COURTESY PATROL	10,080	10,523	4.39%	9,600	-8.76%	21
SYCCNYN MAINTENANCE PEST CONTROL	8,321	9,753	17.20%	9,420	-3.41%	21
MAINT BUILDINGS	**494,078**	**464,783**	-5.93%	**516,342**	11.09%	**1,147**
SYCCNYN MAINTENANCE - LANDSCAPE	149,632	151,419	1.19%	172,496	13.91%	383
SYCCNYN MAINTENANCE - POOLS & STREAM	11,716	11,608	-0.92%	12,840	10.61%	29
MAINT GROUNDS	**161,348**	**163,027**	1.04%	**185,336**	13.68%	**412**
SYCCNYN SEWER & SANITATION	494	494	0.06%	509	2.99%	1
SYCCNYN TRASH	3,852	3,433	-10.87%	3,502	2.00%	8
SYCCNYN GAS	23,618	25,008	5.88%	25,756	2.99%	57
SYCCNYN WATER - COMMON	113,501	113,631	0.11%	117,052	3.01%	260
SYCCNYN ELECTRICITY	85,654	76,987	-10.11%	79,296	2.99%	176
UTILITIES	**227,119**	**219,553**	-3.33%	**226,115**	2.99%	**502**
SYCCNYN INSURANCE	136,500	41,023	-69.94%	92,076	124.44%	205
SYCCNYN PROPERTY TAXES	734,508	734,505	0.00%	602,970	-17.90%	1,340

	2014 Budget	2014 Actual	Variance %	2015 Budget	Change %	Per Unit
INSURANCE/TAXES	**871,008**	**775,528**	-10.96%	**695,046**	-10.38%	**1,545**
TOTAL OPERATING EXPENSE	**2,697,261**	**2,546,433**	-5.59%	**2,592,192**	1.80%	**5,760**
NET OPERATING INCOME	**6,536,585**	6,863,371	5.00%	7,123,389	3.79%	**15,830**
SYCCNYN NON-RECURRING	349,491	230,540	-34.03%	903,697	291.99%	2,008
NON-RECURRING	**349,491**	**230,540**	-34.04%	**903,697**	291.99%	**2,008**
SYCCNYN CARPET REFUNDS	99,720	93,496	-6.24%	116,955	25.09%	260
SYCCNYN NEW LINOLEUM	16,500	4,281	-74.05%	21,392	399.69%	48
CAPITAL	**116,220**	**97,777**	-15.87%	**138,347**	41.49%	**307**
SYCCNYN PARTNER WITHDRAWL	5,745,000	6,614,000	15.12%	6,000,000	-9.28%	13,333
PARTNER ACTIVITY	**5,745,000**	**6,614,000**	15.13%	**6,000,000**	-9.28%	**13,333**
SYCCNYN ACCOUNTS PAYABLE	0	(4,435)		0	-100.00%	0
CHANGE IN ASSET/LIABILITY	**0**	**(4,435)**	0.00%	**0**	-100.00%	**0**
TOTAL OTHER ITEMS	**6,210,711**	**6,937,882**	11.71%	**7,042,044**	1.50%	**15,649**
CASH FLOW	**325,874**	(74,510)	-122.86%	81,345	-209.17%	**181**

ENDING CASH BALANCE 0

Exhibit "B"

EXECUTIVE SUMMARY - UPLOAD
Tuesday, January 13, 2015 2:13:59PM

Budget Year January 2015

WOOD CANYON 2340 (230 Units)

	2014 Budget	2014 Actual	Variance %	2015 Budget	Change %	Per Unit
WDCNYN MARKET RENT	3,996,780	4,332,044	8.38%	4,587,828	5.90%	19,947
SCHEDULED RENT	4,172,883	4,272,886	2.39%	4,481,179	4.87%	**19,483**
WDCNYN VACANCY	(166,860)	(201,468)	20.74%	(201,653)	0.09%	**(877)**
WDCNYN EMPLOYEE ALLOWANCE	0	(11,307)		(8,836)	-21.85%	**(38)**
WDCNYN DELINQUENT WRITE - OFF	(6,200)	(2,738)	-55.83%	(2,850)	4.09%	**(12)**
WDCNYN PRIOR WRITE-OFF'S COLLECTED	4,500	1,198	-73.37%	1,000	-16.52%	**4**
WDCNYN RR- OTHER	15,500	23,204	49.70%	24,950	7.52%	**108**
INCOME RENT	**4,019,823**	4,081,775	**1.54%**	4,293,790	5.19%	**18,669**
WDCNYN RENT - FURNITURE	172	201	16.57%	204	1.74%	**1**
WDCNYN OTHER SERVICES	86,407	113,142	30.94%	76,276	-32.58%	**332**
WDCNYN OTHER WRITE OFFS	(9,800)	(5,039)	-48.58%	(5,045)	0.12%	**(22)**
WDCNYN LAUNDRY SERVICES	8,148	7,774	-4.59%	7,780	0.07%	**34**
WDCNYN UTILITY REIMBURSEMENT	38,743	39,624	2.27%	40,813	2.99%	**177**
WDCNYN LEGAL REIMBURSEMENT	1,980	610	-69.19%	625	2.45%	**3**
WDCNYN INTEREST INCOME	798	629	-21.22%	630	0.22%	**3**
WDCNYN SECURITY DEPOSIT RETENTION	39,958	23,365	-41.52%	23,442	0.32%	**102**
INCOME OTHER RENT	**166,407**	180,306	**8.35%**	144,725	-19.73%	**629**
GROSS RENTAL INCOME	**4,186,230**	4,262,081	**1.81%**	4,438,515	**4.14%**	**19,298**
TOTAL INCOME	**4,186,230**	4,262,081	1.81%	4,438,515	4.14%	**19,298**
WDCNYN PROFESSIONAL MANAGEMENT	167,449	169,891	1.45%	177,541	4.50%	772
WDCNYN PAYROLL MANAGEMENT	145,465	84,944	-41.60%	93,204	9.72%	405
WDCNYN APT ALLOWANCE	43,953	89,262	103.08%	101,496	13.70%	441
WDCNYN TAXES / W.C.	78,416	75,135	-4.18%	79,862	6.29%	347
WDCNYN HEALTH INSURANCE	40,464	27,961	-30.89%	35,712	27.72%	155
MANAGEMENT/ADMIN	**475,748**	**447,194**	-6.00%	**487,814**	9.08%	**2,121**
WDCNYN OFFICE	28,342	29,079	2.60%	29,180	0.34%	127
WDCNYN APPLICATION FEES	2,834	4,171	47.17%	4,472	7.21%	19
WDCNYN LEGAL ACCOUNTING	24,295	22,669	-6.69%	22,685	0.07%	99
WDCNYN LICENSE	6,677	3,972	-40.51%	5,666	42.64%	25
GENERAL OFFICE	**62,148**	**59,891**	-3.63%	**62,003**	3.53%	**270**
WDCNYN MEDIA ADVERTISING	18,012	19,742	9.60%	20,064	1.63%	87
WDCNYN PROMOTION	12,545	11,285	-10.04%	10,578	-6.26%	46
ADVERTISING/PROMO	**30,557**	**31,027**	1.54%	**30,642**	-1.24%	**133**
WDCNYN RENTUP CLEANING	18,844	13,485	-28.44%	13,725	1.78%	60
WDCNYN RENTUP PAINTING	23,943	20,656	-13.72%	21,296	3.10%	93
RENTUP EXPENSE	**42,787**	**34,140**	-20.21%	**35,021**	2.58%	**152**
WDCNYN MAINTENANCE PAYROLL	167,938	160,083	-4.67%	167,859	4.85%	730
WDCNYN MAINTENANCE GENERAL	83,042	77,024	-7.24%	77,296	0.35%	336
WDCNYN MAINTENANCE PLUMBING	44,865	41,144	-8.29%	62,610	52.17%	272
WDCNYN MAINT - FIRE/LIFE/SAFETY	14,300	11,665	-18.42%	11,628	-0.31%	51
WDCNYN MAINTENANCE PEST CONTROL	5,202	4,417	-15.09%	4,284	-3.01%	19
MAINT BUILDINGS	**315,347**	**294,334**	-6.66%	**323,677**	9.97%	**1,407**
WDCNYN MAINTENANCE - LANDSCAPE	74,031	71,802	-3.01%	84,166	17.21%	366
WDCNYN MAINTENANCE - POOLS & STREAM	6,654	6,602	-0.78%	6,960	5.42%	30
MAINT GROUNDS	**80,685**	**78,404**	-2.83%	**91,126**	16.23%	**396**
WDCNYN SEWER & SANITATION	2,532	2,342	-7.50%	2,412	2.98%	10
WDCNYN TRASH	53,660	51,678	-3.69%	52,716	2.00%	229
WDCNYN GAS	16,522	15,814	-4.28%	16,279	2.94%	71
WDCNYN WATER - COMMON	22,082	18,563	-15.93%	19,120	3.00%	83
WDCNYN ELECTRICITY	31,312	31,341	0.09%	32,281	2.99%	140
UTILITIES	**126,108**	**119,738**	-5.05%	**122,808**	2.56%	**534**
WDCNYN COMMON AREA MAINTENANCE	32,900	33,397	1.50%	32,900	-1.48%	143
OTHER EXPENSE	**32,900**	**33,397**	1.51%	**32,900**	-1.49%	**143**
WDCNYN INSURANCE	81,414	76,186	-6.42%	78,144	2.57%	340

	2014 Budget	2014 Actual	Variance %	2015 Budget	Change %	Per Unit
WDCNYN PROPERTY TAXES	336,558	336,556	0.00%	333,024	-1.04%	1,448
INSURANCE/TAXES	**417,972**	**412,742**	-1.25%	**411,168**	-0.38%	**1,788**
TOTAL OPERATING EXPENSE	**1,584,251**	**1,510,867**	-4.63%	**1,597,160**	5.71%	**6,944**
NET OPERATING INCOME	**2,601,979**	2,751,215	5.74%	2,841,355	3.28%	**12,354**
WDCNYN NON-RECURRING	341,057	189,302	-44.49%	297,025	56.90%	1,291
NON-RECURRING	**341,057**	**189,302**	-44.50%	**297,025**	56.91%	**1,291**
WDCNYN CAPITAL ITEMS - ROOFS	26,000	0	-100.00%	0	100.00%	0
CAPITAL	**26,000**	**0**	0.00%	**0**	0.00%	**0**
WDCNYN PREPAID INSURANCE	0	5,780		0	-100.00%	0
CHANGE IN ASSET/LIABILITY	**0**	**5,780**	0.00%	**0**	-100.00%	**0**
WDCNYN CARPET REFUNDS	46,552	33,748	-27.50%	64,446	90.96%	280
WDCNYN NEW LINOLEUM	13,810	14,355	3.94%	17,024	18.59%	74
CAPITAL	**60,362**	**48,102**	-20.31%	**81,470**	69.37%	**354**
WDCNYN 1ST LOAN - PRINCIPAL	332,999	43,144	-87.04%	527,885	1,123.54%	2,295
WDCNYN 1ST LOAN - INTEREST	320,004	35,815	-88.80%	320,004	793.48%	1,391
WDCNYN LETTER OF CREDIT	134,193	134,579	0.28%	131,233	-2.48%	571
WDCNYN ADMINISTRATION FEES	3,000	3,300	10.00%	3,000	-9.09%	13
WDCNYN RE-MARKETING FEES	20,000	20,000	0.00%	20,000	0.00%	87
WDCNYN ISSUER FEE	20,004	20,000	-0.01%	20,004	0.01%	87
WDCNYN PROGRAM ADMIN	3,000	3,000	0.00%	3,000	0.00%	13
DEBT RELATED	**833,200**	**259,839**	-68.81%	**1,025,126**	294.52%	**4,457**
WDCNYN ESCROW DEPOSITS FROM RESIDEN	0	(20,889)		0	-100.00%	0
SECURITY DEPOSITS	**0**	**(20,889)**	0.00%	**0**	-100.00%	**0**
WDCNYN PARTNER WITHDRAWL	972,324	972,324	0.00%	950,726	-2.22%	4,134
PARTNER ACTIVITY	**972,324**	**972,324**	0.00%	**950,726**	-2.22%	**4,134**
WDCNYN ACCOUNTS PAYABLE	11,196	675,579	5,934.11%	11,196	-98.34%	49
CHANGE IN ASSET/LIABILITY	**11,196**	**675,579**	5,934.11%	**11,196**	-98.34%	**49**
TOTAL OTHER ITEMS	**2,244,139**	**2,130,037**	-5.08%	**2,365,543**	11.06%	**10,285**
CASH FLOW	**357,840**	621,177	73.59%	475,812	-23.40%	**2,069**

ENDING CASH BALANCE 0

April 29, 2015
Prepared by: Rob Jacobson
Submitted by: Cheryl Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

ASSET OPTIMIZATION – LAKE FOREST / SERRANO SUMMIT PROPERTY
ENVIRONMENTAL PERMITTING AND DEVELOPMENT UPDATE

SUMMARY:

Staff and representatives from the District's entitlement consultant, Lewis Operating Group, will provide an update on the environmental permitting status for wetlands and habitat located on the City of Lake Forest's (City) planned civic center site. Staff and Lewis will also provide a revised project schedule including estimated permitting approval dates, completion of the planned Development Agreement (DA) amendment (to modify the civic center property boundaries), as well as estimated submittal and approval dates for the revised tentative tract map and subsequent final map. A revised timeline for the marketing and sale of the residential project will also be provided.

BACKGROUND:

In July 2008, the Board approved a DA between the District and the City providing terms under which development could occur on the Serrano Summit project. The DA was subsequently approved by the City Council in August 2008. In February 2012, the City Council approved the Serrano Summit tentative tract map (TTM) depicting the future planning areas and corresponding Area Plan for the property, and included certification of a project-specific Environmental Impact Report (EIR). The Serrano Summit project will include up to 608 residential units, neighborhood and passive parks, a city hall and civic center complex, and IRWD operating facilities.

On April 23, 2012, the District retained Lewis to manage the process to obtain a recordable final map for the Serrano Summit project. Obtaining a recordable final map is an important entitlement milestone and is expected to add significant value to the property.

Environmental Permitting Status:

Early in the final map process, the District's environmental consultant, VCS Consultants, identified certain jurisdictional wetlands issues on the Civic Center property that would likely require additional Army Corp of Engineers (ACOE) permitting authorization not addressed in the City-managed EIR. Following numerous meetings with the City, VCS and ACOE and the subsequent submittal of the required permit application, the City received notification from the ACOE in July 2013 that permitting would be completed under its Letter of Permission (LOP) process. While the LOP process is more intensive than the nationwide permit referenced in the EIR, it is a less intensive, costly and time-consuming process than the ACOE's Standard Individual Permit (SIP) process.

The ACOE permit application included proposed site plan modifications to the City's Civic Center site in order to mitigate impacts. The planned onsite mitigation would result in a reduction of about 1.50 useable acres from the City's planned "nine net acre" pad as defined in the DA.

In October 2014, the ACOE notified VCS that it had determined the project no longer qualified for permitting under the LOP process and would instead require an SIP. The ACOE explained that it had re-evaluated project qualifications for LOP permitting and had determined that the Serrano Summit project no longer meets the criteria to qualify. Following significant discussions with the ACOE regarding the change from the LOP process, the City and VCS submitted a revised application for an SIP in early December 2014.

Staff and Lewis will provide an update on the environmental permitting status for wetlands and habitat on the City's property. The update will include an overall revised project timeline with estimated target dates for environmental permitting approvals, completion of the planned DA amendment (to modify civic center property boundaries), submittal and approval of a revised tentative tract map and subsequent final map and project marketing/sales.

DA Modifications:

In October 2014, the District and City agreed in principle to amend the terms of the DA, subject to approval of a formal amendment by the District's Board and City Council. Proposed modifications to DA terms include the following:

- A boundary change to the City's current Civic Center site to provide an additional 0.65 net acres (resulting in 8.0 net acres);
- An adjustment of the nine-acre fee credit received by the District from the City per the terms of the DA, applied to required in-lieu affordable housing fees, in-lieu park fees and future Development Impact fees; and
- A modification of certain self-help provisions included in the DA which provides options for the City to proceed with grading/development of its site in the event grading/development of the residential site is delayed.

Legal counsels for the District and the City have completed the initial draft DA amendment. Based on the ACOE's change to the environmental permitting process, District and City staff agreed that submittal of the DA amendment for approval by the Board/Council should be deferred until the ACOE affirms its previously-approved on-site mitigation plan.

FISCAL IMPACTS:

The approved capital budget amount for the Asset Optimization – Lake Forest Property (Project No. 1264) is $6,709,150. To date, project expenses for entitlement consulting, project planning and design, permits, fees and processing total $5,287,575.

ENVIRONMENTAL COMPLIANCE:

This project is subject to the California Environmental Quality Act (CEQA) and in conformance with the California Code of Regulations Title 14, Chapter 3, Article 7, an EIR was certified by the City of Lake Forest on February 7, 2012.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

None.

April 29, 2015
Prepared by: T. Fournier
Submitted by: R. Jacobson/ C. Clary
Approved by: Paul Cook P. Cook

ASSET MANAGEMENT COMMITTEE

IRWD APARTMENT CONSULTANT – CONTRACT RENEWAL

SUMMARY:

IRWD's contract with Market-THINK LLC will expire on April 30, 2015. Staff recommends the Committee approve the retention of Market-THINK (Susan Sirota) for a two-year period effective May 1, 2015 for advisory services related to the operation of the District's Sycamore Canyon and Wood Canyon Villa apartment property investments in an amount not to exceed $103,080.

BACKGROUND:

In May 2013, the District approved a two-year contract with Market-THINK to provide advisory services related to the Sycamore Canyon and Wood Canyon Villa apartment properties. Market-THINK was originally selected as the District's apartment consultant based on the review of fee proposals from a number of qualified candidates as well as interviews with staff and input from the Asset Management Committee.

Ms. Sirota is an independent apartment property consultant and sole owner of Market-THINK with over 30 years of multi-family housing experience, including 13 years with Irvine Apartment Communities. During her term as consultant for the District, Ms. Sirota has developed a strong working relationship with both onsite and senior staff of the District's property manager, Western National Properties (WNP). Her extensive marketing background and mentoring of the onsite leasing staff has contributed to Sycamore Canyon's consistent economic performance in both strong and weak rental markets.

Responsibilities of the District's apartment consultant include oversight of the physical state of the properties (including regular monthly and unscheduled site visits), monthly meetings with IRWD staff and WNP to provide property status reports and a review of financials, annual reports to the Asset Management Committee, assisting the property manager with the annual budget process and acting as an advisor to the District for certain special projects related to the properties.

The Market-THINK proposal and Scope of Work, which is attached as Exhibit "A", provides for the current monthly fee to increase from $4,095 to $4,195 beginning May 1, 2015 through April 30, 2016. In May 2016, the proposed monthly fee will increase to $4,295 through April 2017, which represents an average annual increase of 2.0% for the two-year term of the agreement and is based on an estimated 20-25 hours per month to complete the responsibilities outlined in the Scope of Work.

FISCAL IMPACTS:

Based on the attached proposal, the annual expense related to apartment consulting for the general operation of the properties is anticipated to average $51,000, or approximately 0.71% of the budgeted net income ($7.1 million) of the apartment properties.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

That the Committee approve the retention of Market-THINK LLC as apartment consultant for the District's apartment properties for a period of two years effective May 1, 2015 for an amount not to exceed $103,080, which includes monthly out-of-pocket expenses estimated at $50.00 per month.

LIST OF EXHIBITS:

Exhibit "A" – Market-THINK LLC Proposal and Scope of Work

Exhibit “A”

Irvine Ranch Water District—
Consulting Proposal as Owner’s Representative for Apartment Properties

March 2, 2015

This document defines the renewed scope of work and associated cost estimate to provide asset management consulting services for the Irvine Ranch Water District (IRWD). This document represents a description of the scope of work based upon the client’s communicated needs.

Project Definition

IRWD has requested that Market-THINK, LLC (MT) present work specifics pursuant to asset management consulting regarding the following IRWD solely-owned and joint-ventured properties (respectively):

Sycamore Canyon Apartments
8201 E. Blackwillow Circle #100
Anaheim Hills, CA 92808
(450 units)

Wood Canyon Apartments
28520 Wood Canyon Drive
Aliso Viejo, CA 92656
(230 units)

Scope of Work—Market-THINK, LLC

Market-THINK’s role in providing property management consulting in an owner’s representative role consists primarily of the following functions:

1. **Physical Assets Review**

- Walk each property once monthly to ascertain the current level of asset integrity, determine and recommend remedial action necessary.
- Meet with area manager and assigned vice president of the contracted management company and site managers of each property and review marketing strategies, observed apartment community levels of integrity, resident issues, income opportunities, and finalize appropriate courses of action. (Monthly at the time of property walks)
- Visit site (Sycamore Canyon) on a regular scheduled and unscheduled basis to evaluate conditions requiring special attention due to age of the asset.
- Review work specifications and requests for proposals for major/capital work to ensure fairness in the bidding process and to sustain a balance of appropriate information to ensure that the asset receives appropriate remediation.

2. Financial Review

- Meet monthly with IRWD representatives, applicable property management executives, and others deemed appropriate to ensure that the property management financial objectives of IRWD are being achieved in accordance with prudent business logic, ethical conduct and common sense. Such meeting is effected upon and after a thorough review of monthly financial submittals by the management company which includes but are not limited to the following:

  <u>Sycamore Canyon and Wood Canyon Villas</u>

  1. Property Update
  2. Operating Statement
  3. Budget Variance
  4. General Ledger
  5. All Fields Accounting Listing
  6. Cash Flow
  7. Bank Reconciliation
  8. Unit Statistics
  9. Delinquent Residents Report
  10. Rent Roll
  11. Comparable Marketing Summary

- Provide a written monthly report regarding the financial and physical status of each property.

3. Management Recommendations

- Recommend areas of study, new business opportunities, funding and actions pursuant to optimizing income and ensuring long-term asset appreciation. Includes decision-making and direction regarding the actions of the management company upon concurrence of IRWD, unless such action is a function of daily routine management protocol wherein there is neither a major financial or political impact on IRWD.
- Review studies, potential contracts and make recommendations to IRWD.
- Review annual property budgets and provide input/recommendations to IRWD.

4. Technology Recommendations

- Remain current, make recommendations, follow up, and coordinate technological opportunities that will enhance resident service and economic advantage to Sycamore Canyon Apartments.

5. **Other Services**

- Provide annual presentation to IRWD Asset Management Committee regarding the assets identified herein.
- Perform other tasks as requested. These may be outside the scope of this proposal and will be billed on a project and/or hourly rate ($200) as agreed upon in advance between Market-THINK and IRWD.

Client Role—Irvine Ranch Water District

IRWD will provide the following to assist in the on-going provision of services:

1. Provide desired due dates for reports from Market-THINK to IRWD.
2. Outline expectations regarding the performance of property operations, the property management company, and Market-THINK.
3. Participate in monthly meetings with Market-THINK to discuss the findings, conclusions and recommendations relative to this scope of work.

Timing for Services

This contract is a renewal for services effective **May 1, 2015** for a period of two years through **April 30, 2017.**

The following chart provides the client with a breakdown of associated costs for the property management consulting services.

Task	Description	Fee
Monthly Tasks		
1. Physical Assets Review	Walk each property monthly, meet with property management personnel re: site operations and provide written report summary to IRWD	
2. Physical Assets Review	Visit Sycamore Canyon on scheduled and unscheduled basis	
3. Physical Assets Review	Review strategies and work specifications for major/capital work and provide recommendations to IRWD	
4. Financial Review	Review monthly financial reports package and meet with IRWD and management team	
5. Financial Review	Provide written monthly report re: financial and physical status of each property	
6. Management Recommendations	Review studies, opportunities, potential contracts and provide recommendations to IRWD	
7. Management Recommendations	Review and provide input and recommendations regarding annual budgets prepared by management company	
7. Technology Recommendations	Provide technology recommendations, follow up, and coordinate technology opportunities to enhance resident service and economic advantages to Sycamore Canyon	
8. Other Services	Prepare and conduct an annual year-end report to IRWD regarding the assets identified	
9. Other services	Provide other services as requested requiring estimated number of hours. If project-oriented, a flat project fee may be estimated	Billed at hourly rate of $200 (plus mileage) as requested by client
Monthly subtotal for year one (May 2015 through April 2016)	Monthly Flat Fee for estimated 20-25 hours per month.	$4,195 per month
Monthly subtotal for year two (May 2016 through April 2017)	Monthly Flat Fee for estimated 20-25 hours per month.	$4,295 per month

Working Relationship/Fee Structure

The following outlines the suggested structure for a working relationship with IRWD as it pertains to the scope of work defined in this proposal.

1. Monthly retainer of $4,195, which represents approximately 20-25 hours per month dedicated to IRWD from May 1, 2015 through April 30, 2016.
2. Monthly retainer of $4,295, which represents approximately 20-25 hours per month dedicated to IRWD from May 1, 2016 through April 30, 2017.
3. A new contract beyond April 30, 2017 renewable upon mutual agreement.

In addition to the monthly fee, IRWD will reimburse Market-THINK for all out-of-pocket expenses incurred in the performance performed on behalf of IRWD. Routine costs such as mileage, telephone calls, mailing services, and messenger/overnight courier will be billed at a net cost. Any extensive office/production costs beyond outlined scope above will be pre-approved by client. Any additional scope of work or necessary expense items that involve time, research or cash outlay will be pre-approved by and billed to IRWD (following review by Market-THINK for accuracy).

Market-THINK, LLC will hold in the strictest of confidence all confidential information concerning IRWD and its properties, products and services learned in the course of providing property management consulting services. Market-THINK, LLC will not disclose any proprietary information about IRWD or its properties, products or services without your prior approval.

Payment Terms

Monthly retainer billed at the beginning of each month, due in 15 days $4,195.00

Other incurred expenses to be billed separately on a monthly basis.

Client Approval	______________________ Irvine Ranch Water District	Consultant	________________ Market-THINK, LLC
Printed Name	________________ Robert Jacobson		________________ Susan A. Sirota
Title	Treasurer		Principal
Date	________________		________________