

IRVINE RANCH WATER DISTRICT
ASSET MANAGEMENT COMMITTEE
MONDAY, JUNE 20, 2016

CALL TO ORDER **12:00 p.m., Wilshire Conference Room, Second Floor District Office**
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Committee Chair: John Withers _____ Committee Member: Peer Swan _____

<u>ALSO PRESENT</u>	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. SAND CANYON PROFESSIONAL CENTER – PHASE II
DEVELOPMENT DESIGN UPDATE AND PROPOSED LOT LINE
ADJUSTMENT REVIEW – JACOBSON/CLARY

Recommendation: Receive and file.

ACTION

6. ASSET OPTIMIZATION – LAKE FOREST / SERRANO SUMMIT
PROPERTY DEVELOPMENT AND CONSULTANT CONTRACT
UPDATE – JACOBSON/CLARY

Recommendation: That the Board approve an increase to the FY 2015-16 Capital Budget in the amount of \$245,040 for Serrano Summit consultant services.

OTHER BUSINESS

7. Directors' Comments:

8. Adjourn

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the Committee Room of the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

June 20, 2016

Prepared by: Rob Jacobson

Submitted by: Cheryl Clary

Approved by: Paul Cook



ASSET MANAGEMENT COMMITTEE

SAND CANYON PROFESSIONAL CENTER – PHASE II DEVELOPMENT DESIGN UPDATE AND PROPOSED LOT LINE ADJUSTMENT REVIEW

SUMMARY:

Staff will provide an update on the design and plan submittal process for the Phase II office development project. The Phase II project includes construction of an approximate 71,000 square foot for-lease professional office building and central outdoor courtyard/meeting area. Completed and approved building plans are expected to significantly improve the marketability of the future office property and reduce the project completion schedule by approximately six to nine months. Staff will also review a planned lot line adjustment (LLA) of property boundaries for the headquarters facility, the Phase I medical office building and the Phase II office building. The LLA is required prior to issuance of a building permit for the Phase II project.

BACKGROUND:

In February 2008, the Board approved Phase I of the Sand Canyon Office Project on land adjacent to the Sand Canyon headquarters site. Phase I included construction of a 16,400 square foot medical office building, a community meeting room and the reconfiguration of the majority of the existing IRWD employee parking area. Phase I was completed in early 2012 and the medical office building is fully leased through April 2022.

Phase II of the campus master plan includes construction of an approximate 71,000 square foot professional office building on the remaining vacant land. The medical and professional office combination was originally recommended in a land use study, and the resulting tenant diversification has been further supported by other local real estate professionals based on the site's zoning, trip allocation constraints and market data for the area.

Project Pre-Application Submittal:

In October 2015, the Board approved the retention of Ware Malcomb to provide architectural services related to design of the Phase II building and site work. A pre-application package for the project was submitted by Ware Malcomb to the City of Irvine in March 2016. The City requested additional information and certain conditions to be met prior to submitting formal building plans for review. Staff will provide an update on the City's requirements and the expected timeline for formal building plan submittal.

Lot Line Adjustment:

The District's Sand Canyon Avenue property is comprised of three separate parcels. The location of the planned Phase II office building lies on two of the existing property boundaries. Based on the conflict with property lines, the City requires the District to abandon the internal

property lines, or adjust the lines to resolve the issue prior to issuance of a building permit. Based on discussions with District staff, the project's civil engineer, Fuscoe Engineering, has provided a recommended LLA, attached as Exhibit "A". Staff will review the proposed LLA with the Committee at the meeting.

FISCAL IMPACTS:

Projected design, planning and construction costs for the Sand Canyon Professional Center Phase II project of \$17.6 million are included in the FY 2015-16 Capital Budget (EPMS No. 11885/Oracle No. 6210).

Stabilized net operating income for the Phase II property in Year 3 is estimated at \$1,790,000 per year, or a Return on Costs (including land) of approximately 8.7%, assuming an initial lease rate of \$2.00 per square foot (Triple Net Lease) and annual rent increases of 2.5%.

ENVIRONMENTAL COMPLIANCE:

A Final Environmental Impact Report has been prepared, certified and the project approved by the County of Orange Environmental Management Agency in compliance with the California Environmental Quality Act (CEQA) of 1970 (as amended), codified at California Public Resources Code Sections 21000 et. seq., and the State CEQA Guidelines in the Code of Regulations, Title 14, Division 6, Chapter 3.

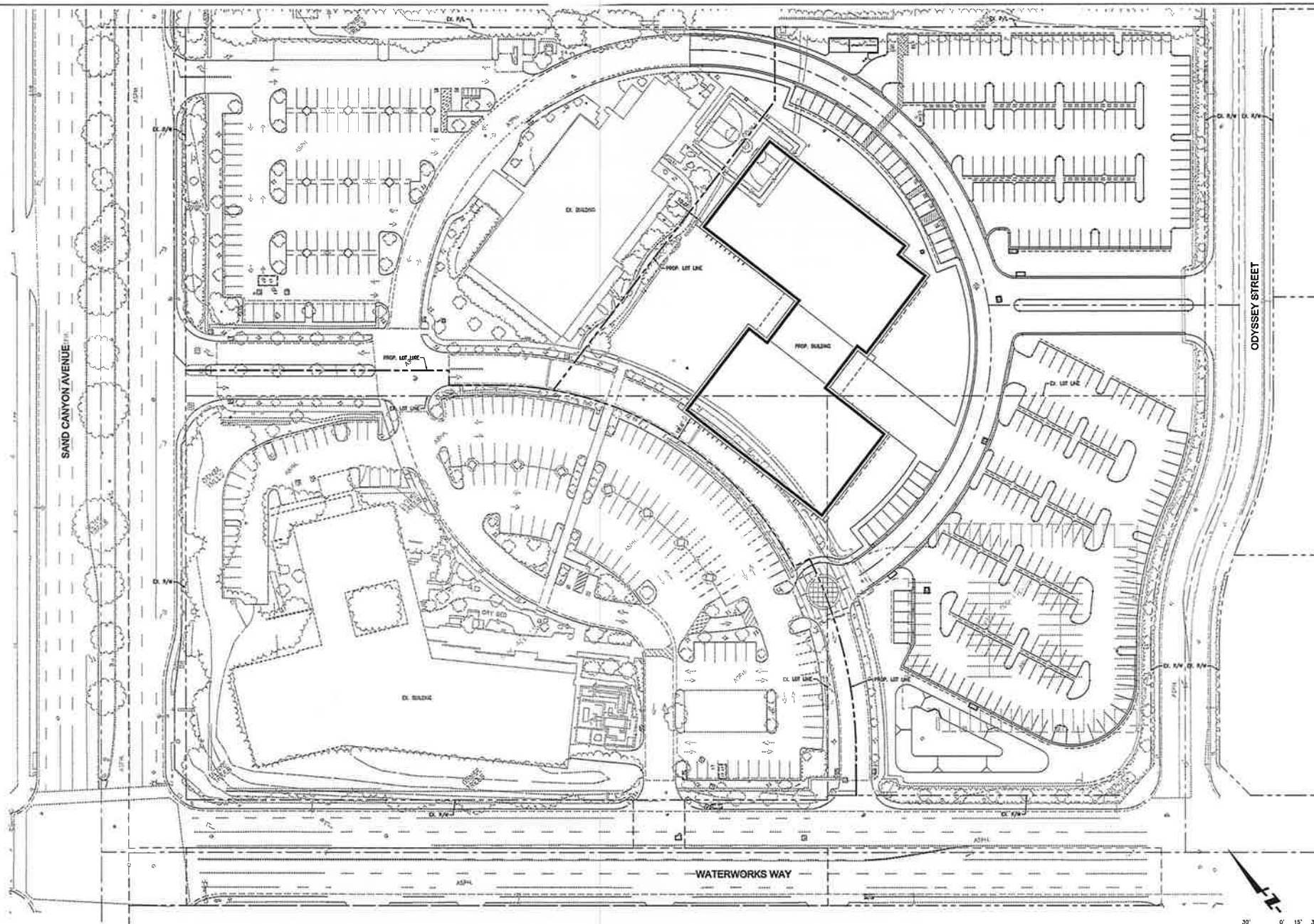
RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Proposed Sand Canyon Lot Line Adjustment

EXHIBIT "A"



LOT LINE ADJUSTMENT EXHIBIT / SAND CANYON PROFESSIONAL CENTER

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IRVINE, CA 92618

06/07/15

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June 20, 2016

Prepared by: Rob Jacobson

Submitted by: Cheryl Clary 

Approved by: Paul Cook 

ASSET MANAGEMENT COMMITTEE

ASSET OPTIMIZATION – LAKE FOREST / SERRANO SUMMIT PROPERTY DEVELOPMENT AND CONSULTANT CONTRACT UPDATE

SUMMARY:

Staff and representatives from the District's entitlement consultant, Lewis Operating Group, will provide an update on project design activities related to the Serrano Summit final tract map, the expected schedule for submittal of plans for City of Lake Forest review and an estimated timeline for final map approval. Based on the timeline, Lewis will provide a suggested schedule for preparation of a marketing package and sales plan for the residential project. Staff will also provide an update on recent meetings with City staff regarding its planned Civic Center development and the status of the Development Agreement (DA) amendment. Finally, staff recommends the Board approve an increase to the project budget in the amount of \$254,040, primarily for additional services required as a result of a 3½-year environmental permitting process which was not contemplated in the original project scope of services.

BACKGROUND:

In July 2008, the Board approved a DA between IRWD 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.

In April 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. In October 2012, the Committee and Board approved a budget increase of \$1,590,000 for costs related to design and processing the final tract map. The budget increase provided funding for continued entitlement management services (Lewis), sub-consulting services (civil, landscape architect, dry utility planning, environmental permitting, etc.) to be directly contracted with Lewis, plan check/agency fees and District staff time.

Subsequent to the Board's approval to begin final map processing, certain jurisdictional wetlands issues were identified on the Civic Center property requiring additional permitting authorization not addressed in the City-managed EIR. On March 3, 2016, following a 3½ year submittal/approval process, a 404 Individual Permit was issued related to the Civic Center portion of the Serrano Summit tract map.

Development Agreement Amendment Update:

Legal counsels and staff from the District and City have held multiple meetings regarding the planned DA Amendment. The DA Amendment will address the reduction of the civic center pad size from 9 net acres to 8 net acres, a reduction in fee credits to the District based on the reduced pad and modifications to Self-Help language in the DA. Self-Help provisions provide terms under which development of the City's civic center site can occur prior to, and separate from, development of the Serrano Summit residential area.

Based on current project timing, the City has informed the District that there is a significant likelihood it will utilize its Self-Help option and proceed with development of its site prior to Serrano Summit residential development. Proposed revisions to the Self-Help language will provide clarity regarding reimbursement of certain grading/construction costs to the City from future Serrano Summit developers, temporary maintenance of the anticipated borrow site for fill needed at the civic center site and allocations of certain construction costs not addressed in the current DA. Staff will provide an update on the Amendment status with an expectation to provide a draft Amendment for Committee review at the July meeting.

Final Map / Marketing Update:

The District's final map consultant team recently met and has re-initiated the project design process. Staff and Lewis will provide the Committee with the status of the final tract map submittal process and a revised timeline for final map approval. Based on the timeline, Lewis will discuss its suggested schedule for preparation of a marketing package and sales plan for the residential project.

Recommended Project Budget Increase:

In October 2012, the Board approved an increase to the capital budget in the amount of \$1,590,000 for services related to design and processing the Serrano Summit final tract map. The increase included \$257,000 for entitlement management services (Lewis), \$865,000 for sub-consulting services to be contracted directly with Lewis (civil, landscape architect, dry utility planning, environmental permitting, etc.), plan check/agency fees of \$195,000, and an amount for contingencies and District staff time. The total project budget is \$6,709,150, with \$5,624,360 in expenditures to date.

Due to the unexpected delay in initiating final tract map services, certain project consultants have provided minimal or no services to date. Other consultants including the civil engineer, environmental permitting consultant and geotechnical consultant have provided additional services not originally contemplated but required to resolve the environmental permitting issues. Due to additional services required to resolve the environmental permitting process, and revised contract amounts from certain consultants, staff recommends an increase to the FY 2015-16 Capital Budget in the amount of \$245,040. The table below shows the key consulting services and firms, as well as previous and revised contract amounts:

Services	Selected Firm	2012 Contract Amt	Revised Contract Amt	Increase/ (Decrease)
Civil Engineering	Michael Baker / RBF	\$324,875	\$442,955	\$118,080
Landscape Architecture	Architerra	\$176,275	\$197,725	\$21,450
Environmental Permitting	VCS	\$84,205	\$112,260	\$28,055
Dry Utility Planning	Utility Specialists	\$87,995	\$107,305	\$19,310
Geotechnical	GMU	\$121,995	\$180,140	\$58,145
	Totals	\$795,345	\$1,040,385	\$245,040

Staff and Lewis will provide additional detail regarding the contract change amount for each of the consultants.

FISCAL IMPACTS:

The approved capital budget amount for the Asset Optimization – Lake Forest Property (Project No. 1264) is \$6,709,150. The proposed increase to the project budget is \$245,040. To date, project expenses for entitlement consulting, project planning and design, permits, fees and processing total \$5,624,360.

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:

That the Board approve an increase to the FY 2015-16 Capital Budget in the amount of \$245,040 for Serrano Summit consultant

LIST OF EXHIBITS:

None.