AGENDA
IRVINE RANCH WATER DISTRICT
ASSET MANAGEMENT COMMITTEE
TUESDAY, FEBRUARY 21, 2017

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: Mary Aileen Matheis ___	
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. ASSET OPTIMIZATION – LAKE FOREST / SERRANO SUMMIT PROPERTY DEVELOPMENT AND MARKETING UPDATE – JACOBSON/CLARY

   Recommendation: Receive and file.

6. REAL ESTATE QUARTERLY PERFORMANCE – DECEMBER 2016 – DAVIS/FOURNIER/JACOBSON/CLARY

   Recommendation: Receive and file.

OTHER BUSINESS

7. Directors' Comments:

8. Adjourn

* *

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.

February 21, 2017
Prepared by: Rob Jacobson
Submitted by: Cheryl Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

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

SUMMARY:

Staff will provide the Committee with an update on the Serrano Summit final tract map plan approval status with the City of Lake Forest and a timeline for final map approval. Staff will also provide an update on the project marketing process including the selection of consultants to provide services required to complete the offering package. Finally, staff will provide an update on recent meetings with City staff regarding its grading and construction schedule for the future Civic Center development.

BACKGROUND:

In July 2008, the Board approved a Development Agreement (DA) between IRWD and the City providing terms under which residential 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, the corresponding Area Plan for the project and 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 Operating Group (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 August 2012, significant jurisdictional wetlands issues were identified on the Civic Center property requiring additional permitting efforts. In March 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.

Final Map Review/Approval Status:

In December 2016, Lewis and the District's design consultants submitted the second set of final map improvement plans to the City for the Serrano Summit project's grading, utilities and infrastructure, and landscaping conditions. Staff will provide the Committee with the status of the final tract map review/approval process and an updated timeline for final map approval.

Serrano Summit Marketing Status:

The District's advisor for the marketing/sale of the Serrano Summit residential project, Province West, recently received and evaluated proposals from multiple consultants to provide services necessary to complete the formal offering package for the property. Based on staff and Province West's evaluations of the proposals, the following consultant selections were made:

- Market Research/Study: Real Estate Economics ($19,500)
- Land Planning: KTGY ($21,000)
- Cost to Complete: Murow ($16,400)

Province West's selection rationale and a summary of proposals is attached as Exhibit "A". Staff will provide the Committee with additional information on the consultants selected, anticipated schedules for each to complete their respective studies and an updated marketing timeline for the project.

Civic Center Development Plans:

Based on a preliminary development schedule provided by City staff, the City expects to begin grading its site in early 2017. The grading process will include a cut and fill operation, bringing fill from the future Serrano Summit residential area. The City's schedule estimates completion of the Civic Center and related facilities in spring 2019.

FISCAL IMPACTS:

The approved capital budget amount for the Asset Optimization – Lake Forest Property (Project No. 1264) is $6,954,190. To date, project expenses for entitlement consulting, project planning and design, permits, fees and processing total approximately $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.

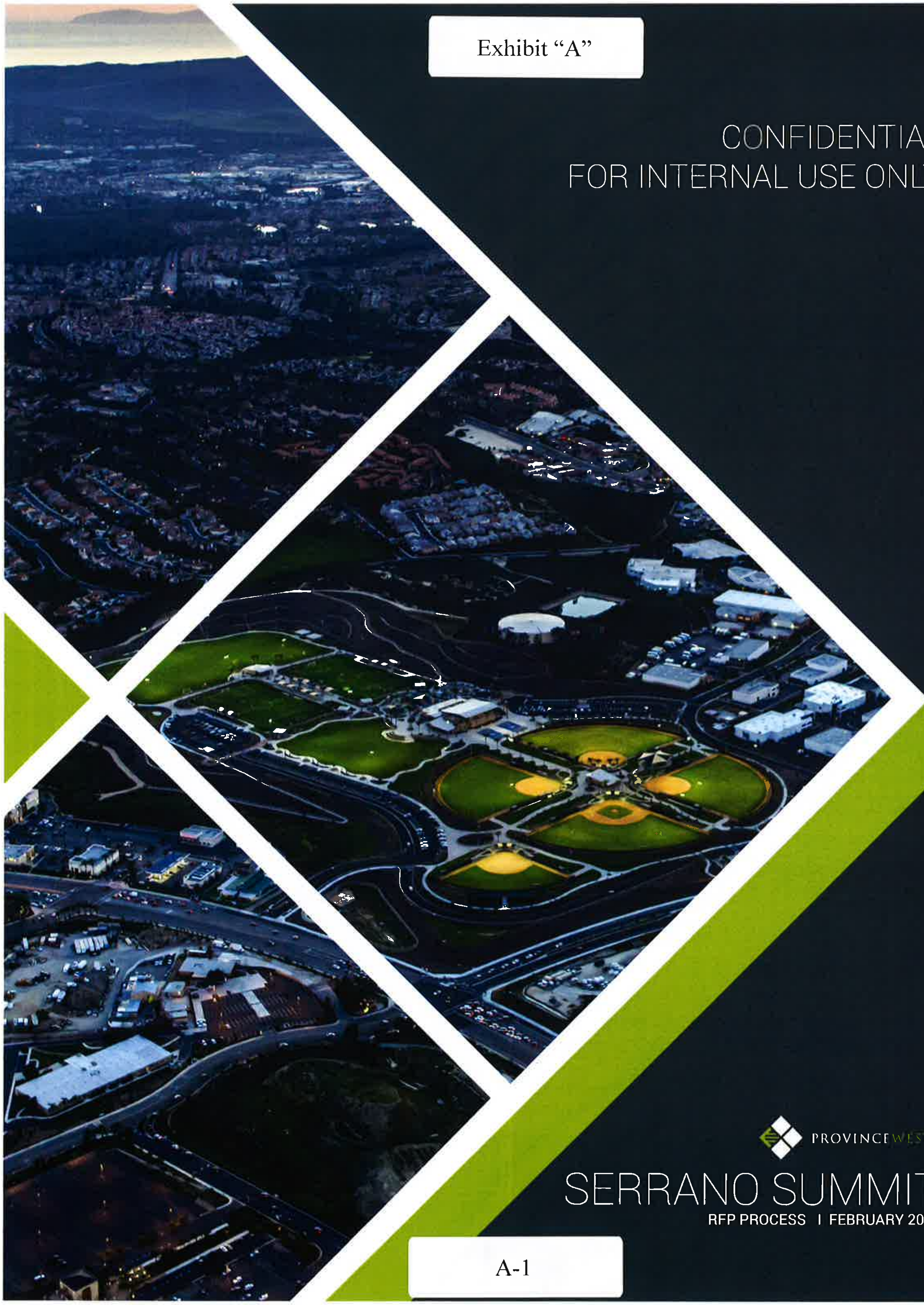
RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Province West's Selection Rationale and Summary of Proposals

Exhibit "A"



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PROVINCEWEST

SERRANO SUMMIT

RFP PROCESS | FEBRUARY 2017

PROVINCEWEST

February 15, 2017

PRIVILAGED & CONFIDENTIAL

Mr. Rob Jacobson
Director of Treasury & Risk Management
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, CA 92618

RE: SERRANO SUMMIT | SUBJECT MATTER EXPERTS

Dear Rob,

We have completed the RFP process related to the engagement of subject matter experts to be utilized in connection with the disposition of Serrano Summit. Proposals were obtained from experts in the areas of market research, phased costs and land planning. As discussed, subsequent the receipt of proposals, follow-on conversations were had with selected participants and revised proposals were submitted accordingly.

Our recommendations are summarized as follows:

MARKET RESEARCH **Real Estate Economics ($19,500)** Real Estate Economics was previously engaged by Lewis Communities to evaluate Serrano Summit. In addition, they have experience working on other similar assignments within the Lake Forest market, namely Baker Ranch and Parkside. Based on their experience in Lake Forest and performance working with our team on other similar assignments, we believe Real Estate Economics is uniquely qualified to assist in the development of the business plan and help accelerate time to market.

LAND PLANNING **KTGY ($21,000)** KTGY assisted in the development of the Serrano Summit Area Plan and previously developed a detailed site plan for the asset. Based on their history working on the project and ability to leverage existing work product, we believe KTGY is best positioned to provide deliverables in the timeliest manner, at a lower price relative to the other alternatives.

COST TO COMPLETE **Murow | CM ($16,400)** - We have had positive experiences working on similar assignments with both firms and they are equally qualified for the Serrano Summit assignment. While Developers Research provided costing services on both Baker Ranch and Parkside, their proposed pricing of $30,900 was almost twice that proposed by Murow.

A more detailed summary, as well as the proposals themselves have been contained for your reference. Please feel free to contact me at (949) 954-5970 with any questions you may have.

Regards,

Daniel W. McDonough

17755 Sky Park East, Suite 101 | Irvine, CA 92614
T 949.954.5966 | F 949.266.9132
www.provincewest.com

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MARKET RESEARCH

SUMMARY OF PROPOSALS

	JOHN BURNS REAL ESTATE CONSULTING	REAL ESTATE ECONOMICS	THE CONCORD GROUP
Primary Contact	Mollie Carmichael	John Mulville	Richard M. Gollis
Proposed Fee I Phase I	$22,950	$12,750	$6,000
Proposed Fee I Phase II	$9,850	$6,750	$10,000
Proposed Fee I Total	$32,800	$19,500	$16,000
Estimated Schedule	Three weeks from the receipt of information from IRWD.	Four weeks to complete Phase I analysis. 7-10 days from client kick-off to complete Phase II.	Three weeks to complete Phase I analysis. Two weeks to complete Phase II analysis.
Relevant Assignments	None provided. Actively involved in the Orange County marketplace.	Baker Ranch, Parkside at Baker Ranch, Serrano Summit (Original Study)	Parasol Park @ Great Park, Village 7 @ Great Park
Scope of Work	Includes elements in Phase I that are outside the scope of IRWD's initial request.	Includes elements in Phase II that are outside the scope of IRWD's initial request.	Scope of work is consistent with IRWD's request.

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LAND PLANNING

SUMMARY OF PROPOSALS

	BASSENIAN | LAGONI	KTGY	WHA
Primary Contact	Scott Adams	Geoff Graney	Denise Ashton
Proposed Fee	$68,000	$21,000	$34,100
Estimated Schedule	The schedule is broken down into work-steps, with the entire process projected to take eight weeks to complete.	Phase I to be done concurrently with Market Study efforts. Phase II and III will take four weeks from the time KTGY receives the information from IRWD/Province West/Marketing Consultant.	Phase I to be done concurrently with Market Study efforts. Phase II will take four weeks from the time that WHA receives the relevant information from IRWD/Province West/Marketing Consultant.
Relevant Assignments	Baker Ranch, Parkside at Baker Ranch, and several other active South Orange County neighborhoods.	Serrano Summit, La Floresta, Hollywood Park and numerous other high profile Southern California assets.	Sycamore Hills, Greenwood in Tustin, Shopoff Group's Inglewood project and numerous other large scale Southern California projects.
Scope of Work	The scope of work is directly reflective of what was requested as part of the RFP.	Initial proposal included the scope of work as provided in the RFP. KTGY was asked to provide an updated proposal with a more streamlined scope of work based on their previous involvement in the project. That scope is outlined in KTGY's revised proposal and this summary.	The initial scope of work is directly reflective of what was requested as part of the RFP. After a follow-on conversation about the scope, WHA verbally indicated that Task 5 in its proposal was superfluous and was removed. Similarly they indicated verbally that the timeline could be truncated in accordance with our reporting in this summary.
Comments	Bassenian Lagoni has a tremendous amount of relevant experience in the immediate trade area. They also indicated verbally that the timefame could be significantly truncated to accommodate IRWD's needs.	KTGY was previously engaged with IRWD and Lewis to provide planning services related to Specific Plan/Area Plan for Serrano Summit. As a result, they have the ability to pick-up where they left off for this exercise.	WHA is highly reputable firm that is performing this exact type of work throughout Southern California. They further indicated that they want this business and would be accommodating to IRWD from a resources perspective to make that a reality.

03
COST TO COMPLETE

SUMMARY OF PROPOSALS

	DEVELOPERS RESEARCH	MUROW | CM
Primary Contact	Scot Oldham	Steven Murow
Proposed Fee	$30,900	$16,400
Estimated Schedule	It is estimated that the phased cost to complete will take three to four weeks to complete from receipt of the relevant documentation.	The phased cost to complete analysis will be completed within 30 calendar days of receipt of the relevant documentation.
Relevant Assignments	Baker Ranch, Parkside at Baker Ranch, Horesecreek Ranch, Marblehead and other high profile Southern California master-planned communities.	Rancho Mission Viejo Company (The Ranch), Parkside Estates (Huntington Beach), Belle Terre and other large scale developments in Southern California.
Scope of Work	The scope of work is directly reflective of what was requested as part of the RFP.	The scope of work is directly reflective of what was requested as part of the RFP.
Comments	Developers Research has significant direct experience in the trade area and has been involved in the costing and analysis of some of the most high profile projects in Southern California.	Murow CM is a construction management firm that offers phased costing as an ancillary service. They have provided this service for a number of large scale projects in the Southern California marketplace. As a construction management firm, Murow has excellent real time information related to unit pricing.

February 21, 2017
Prepared by: Jennifer Davis / Tanja Fournier
Submitted by: Robert Jacobson / Cheryl Clary
Approved by: Paul A. Cook

ASSET MANAGEMENT COMMITTEE

REAL ESTATE QUARTERLY PERFORMANCE – DECEMBER 2016

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 ended December 31, 2016.

BACKGROUND:

For the quarter ended December 31, 2016, the net operating income (NOI) for the District's residential and commercial real estate investments was $2.4 million, which represents a 13.35% return for the period, and the fiscal year (FY) to date NOI was $4.8 million. Land lease income from the Strawberry Farms Golf Course was $131,158 and $282,904 for the quarter-end and FY periods, respectively. Lease revenue from the District's five cell sites was $75,033 for the quarter, and $115,356 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".

Residential Investment Properties:

For the quarter ended December 31, 2016, the NOI for the Sycamore Canyon Apartments was $1.9 million and $3.9 million year to date, which were favorable to budget by approximately $35,200 and $31,300, respectively. The quarter-end and FY variances were due to higher-than-anticipated lease rates and invoice timing of budgeted expenses. The District's limited partnership investment in the Wood Canyon Villa property earned a preferred return of 9.00%, providing income of $135,738 for the quarter-end and $271,476 for the FY to date. The net return for Wood Canyon was 8.55% and 8.56% for quarter-end and FY periods, respectively.

Commercial Investment Properties:

The NOI for the quarter ended December 31, 2016 at the Irvine Market Place (230 Commerce) property was $36,082, which was unfavorable to budget by $15,506 primarily due to a suite not leasing as anticipated. For FY to date, NOI at the property was $1,308, which was unfavorable to budget by $ 71,604 primarily due to payment of lease commissions for suite 250 leased sooner than anticipated in the budget. One suite (5,032 square feet) is currently available for lease at the property.

The NOI for the Waterworks Way Business Park property for the quarter ended December 31, 2016 was $127,912 and $249,979 year to date, which were favorable to budget by $5,186 and $17,017, respectively. The quarter end and fiscal year variances were primarily due to an early lease renewal of unit 40 for present tenant Unirise and its expansion to unit 32, which was not anticipated in the budget. The property is currently 100% leased.

For the quarter ended December 31, 2016, the NOI for the Sand Canyon Professional Center medical office property was $195,677 and $378,306 FY to date, which was favorable to budget by $7,576 and $7,292, respectively. The variances were due to late fees and timing of budgeted expenses. The property is currently 100% occupied.

Strawberry Farms Golf Course and Cell Site Leases:

Land lease income for Strawberry Farms Golf Course for the quarter ended December 31, 2016 was $131,158, which was in line with budget. This compares with income of $132,075 for the same period last year, representing a 0.69% decrease for the period. The FY year-to-date NOI was $282,904, representing an increase of 7.10% compared to the same period last year. The quarterly and FY to date lease revenue from the District's five cell sites was $75,033 and $115,356, respectively which were favorable to budget by $36,000 and $37,290, respectively. The variances were primarily due to the revenue share amount received earlier than anticipated.

FISCAL IMPACTS:

For the quarter and fiscal year to date ended December 31 2016, the District's commercial and residential real estate investments provided NOI of approximately $2.43 million and $4.79 million, respectively. Strawberry Farms Golf Course lease revenue was $131,158 for the quarter and $282,904 for the FY to date. The District cell site revenue was $75,033 for the quarter and the FY to date was $115,356.

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 December 31, 2016

INCOME PROPERTIES			FY 2016-17					FY 2016-17 RATE OF RETURN			3 Year Average Rate of Return	5 Year Average Rate of Return
Property Description	Capital Investment	Investment Inception	Oct-16	Nov-16	Dec-16	FY Q2	FY 2016-17 TOTAL	FY Q1	FY Q2	Average Fiscal YTD	FY 14/15 - 16/17	FY 12/13 - 16/17
Sycamore Canyon Apartments	$43,550,810	Dec-92	$ 637,978	$ 657,346	$ 637,978	$ 1,933,302	$ 3,887,709	17.95%	17.76%	17.85%	17.35%	16.17%
Wood Canyon Villa Apartments	$6,000,000	Jun-91	$ 45,738	$ 44,262	$ 45,738	$ 135,738	$ 271,476	8.56%	8.55%	8.56%	8.55%	8.52%
Irvine Market Place Office	$5,739,845	Jul-03	$ 5,120	$ 13,655	$ 17,307	$ 36,082	$ 1,308	-2.42%	2.51%	0.05%	4.34%	5.67%
Waterworks Way Business Park	$8,630,577	Nov-08	$ 42,410	$ 43,703	$ 41,799	$ 127,912	$ 249,979	5.66%	5.93%	5.79%	4.89%	4.69%
Sand Canyon Professional Center	$8,648,594	Jul-12	$ 62,756	$ 63,996	$ 68,925	$ 195,677	$ 378,306	8.45%	9.05%	8.75%	8.45%	7.52%
TOTALS	$72,569,826		$ 794,002	$822,962	$811,747	$2,428,711	$ 4,788,778	12.97%	13.35%	13.16%	13.05%	12.31%

Notes/Assumptions:

- 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.

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

Irvine Ranch Water District
Real Estate Investment Performance Report
Strawberry Farms Golf Course & Cell Site Income
as of December 31, 2016

	2016-17 NET INCOME				
Property Description	**Oct-16**	**Nov-16**	**Dec-16**	**FY Q2**	**NET INCOME 2016-2017**
Strawberry Farms Golf Course	$ 53,857	$ 37,753	$ 39,548	$ 131,158	$282,904
TOTALS	$ 53,857	$ 37,753	$ 39,548	$ 131,158	$282,904
Change From Prior Year Period				$ (918) -0.69%	$18,753 7.10%

	2016-17 NET INCOME				
Property Description	**Oct-16**	**Nov-16**	**Dec-16**	**FY Q2**	**NET INCOME 2016-2017**
Cell Sites	$ 17,011	$ 14,011	$ 44,011	$ 75,033	$115,356
TOTALS	$ 17,011	$ 14,011	$ 44,011	$ 75,033	$115,356
Change From Prior Year Period				$ 34,777 86.39%	$28,836 33.33%

Irvine Ranch Water District
Real Estate Investment Performance Report
Cell Site Terms
as of December 31, 2016

Location:	Rattlesnake (Portola) Reservoir 4883 Portola Parkway, Irvine	Central Zone 1 Reservoir 13826 Sand Canyon Avenue, Irvine	Santiago Canyon Head Quarters 7431 Santiago Road, Santiago Canyon
	712223	**712224**	**712221**
Licensee/Lessee	Crown Castle (839428)	Crown Castle (839459)	AT&T Wireless
	Site# 321620	Site# 321757	LA3212
Type:	Master Lease	Master Lease	**Lease**
Date:	1/14/02	11/22/99, #1 1/14/02	**11/22/04**
Contract Monthly Rent:	Greater of $1,500 + 3% annual escalation or 40% of gross rents (March)	Greater of $1,500 + 3% annual escalation or 40% of gross rents (July)	3% annual escalation(July)
Current Monthly Rent:	$2,203	$2,203	$2,566
Annually	$69,448	$46,081	$30,796
	10276818 10276843	10276843 10276818	(Faux Tree)
Contract Term & notice	15 yrs+; Termination upon 1 yr notice	15 yrs+; Termination upon 1 yr notice	5 yrs + 4 5 yr extensions

Location:	Lake Forest Zone II West Reservoir 26001 Dimension, Lake Forest		
	712228	**712227**	**712222**
Licensee/Lessee	T- Mobile	Sprint PCS	AT&T
	LA02308A	0G03XC113	R086/FoothillCorridor1
Type:	License	License	License
Date:	12/16/96	9/8/97	9/9/98, #1 9/5/01
Contract Monthly Rent:	$1,500 No escalation	$1,500 No escalation	$1,500 3% annual escalation (October)
Current Monthly Rent:	$1,500	$1,500	$2,337
Annually	$18,000	$18,000 (Antennas on Tank)	$28,043
Contract Term & notice	Termination upon 6 months notice	Termination upon 6 months notice	Termination upon 6 months notice

Location:	Lake Forest Zone II East Reservoir 20696 Regency Lane, Lake Forest
	712230
Licensee/Lessee	Verizon
	SCAL North Lake Forest
Type:	[illegible]
Date:	10/11/95
Contract Monthly Rent:	$1,500 No escalation
Current Monthly Rent:	$1,500
Annually	$18,000
Contract Term & notice	Termination upon 6 months notice