AGENDA

IRVINE RANCH WATER DISTRICT
ASSET MANAGEMENT COMMITTEE
TUESDAY, MAY 30, 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 – SERRANO SUMMIT PROPERTY MARKETING UPDATE AND FINAL MAP STATUS – JACOBSON/ CLARY

   Recommendation: Receive and file.

ACTION

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

   Recommendation: That the Committee approve the retention of Market-THINK as apartment consultant for the District's apartment properties for a period of two-years at a total fee not to exceed $106,000, which includes monthly out-of-pocket expenses estimated at $50 per month.

7. SERRANO SUMMIT PROPERTY - LEWIS OPERATING GROUP – CONSULTING AGREEMENT – JACOBSON/CLARY

   Recommendation: That the Committee approve new Professional Service Agreements for Michael Baker International, Architerra, Utility Specialists and GMU Geotechnical based on remaining contract balances for the Serrano Summit project.

OTHER BUSINESS

8. CLOSED SESSION with real property negotiator (Government Code Section 54956.8).

   Property: Parcel 393-29-301
   Negotiating Parties: Anish Gore
   Agency Negotiator: Paul Cook, General Manager
   Propose of Negotiations: Price and Term of Payment

9. Directors' Comments:

10. 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.

May 30, 2017
Prepared by: Rob Jacobson
Submitted by: Cheryl Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

ASSET OPTIMIZATION – SERRANO SUMMIT PROPERTY MARKETING UPDATE & FINAL MAP STATUS

SUMMARY:

Staff will provide the Committee with an update on Serrano Summit marketing and sale activities, including a review of the Offering Memorandum completed by Province West and review of the expected sale timeline. Staff will also provide an update on remaining final map items to be completed.

BACKGROUND:

In July 2008, the Board approved a Development Agreement (DA) between IRWD and the City of Lake Forest (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 depicting the future planning areas, the corresponding Area Plan 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 of obtaining a recordable final map for the Serrano Summit project. A recordable final map is expected to significantly increase the value of the property. Following a 3½ year environmental permitting process, a 404 Individual Permit was issued for the Civic Center portion of the Serrano Summit tract map. The final map for the residential project is near completion with a recordable map due shortly.

Serrano Summit Marketing Status:

In January 2017, Province West was retained as the District's land sale advisor for the marketing and sale of the Serrano Summit residential property.

Based on key project data provided by District consultants Real Estate Economics (market study), Murow/CM (improvement cost estimate) and KTGY (land planning), Province West completed the Offering Memorandum/marketing package. The package was released to potential buyers (master developers and home builders) on May 22, 2017.

Staff will review the Offering Memorandum with the Committee and provide an updated sale timeline including the due date for proposals, buyer interviews and finalist selections, escrow due diligence period and expected closing date.

Final Map Review/Approval Status:

Staff will provide an update on the remaining final map items awaiting City of Lake Forest approval. The District's entitlement consultant for the project, Omar Dandashi, anticipates that a recordable final map will be complete in June 2017.

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 $6,479,569.

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.

May 30, 2017
Prepared by: T. Fournier
Submitted by: R. Jacobson/C. Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

IRWD APARTMENT CONSULTANT – CONTRACT RENEWAL

SUMMARY:

Staff is recommending a two-year renewal of the consulting agreement with Market-THINK, LLC (Susan Sirota) to provide advisory services related to the operation of the District's Sycamore Canyon and Wood Canyon Villa apartment property investments.

BACKGROUND:

In April 2015, 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 evaluation of proposals from a number of qualified candidates, as well as interviews with staff and the Committee.

Ms. Sirota is an independent apartment property consultant and sole owner of Market-THINK with over thirty years of multi-family housing experience, including thirteen years with Irvine Apartment Communities. As a 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). Ms. Sirota's extensive marketing background and mentoring of onsite leasing staff have 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 condition of the properties (including regular monthly and unscheduled site visits) and monthly meetings with IRWD staff and WNP to provide property status reports and a review of financials. Other responsibilities include an annual report 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 provides for the current monthly fee to remain at $4,295 through April 30, 2018. In May 2018, the proposed monthly fee will increase to $4,395 through April 2019, which represents an average annual increase of 1.15% for the two-year term of the agreement. The proposal assumes an estimated 20-25 hours per month to complete the responsibilities outlined in the scope of work. A copy of the renewal proposal and scope of work are attached as Exhibit "A".

FISCAL IMPACTS:

Based on the proposal received, the annual expense related to apartment consulting for the general operation of the properties is anticipated to average $52,140, or approximately 0.61% of the budgeted net income ($8.5 million) for 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 as apartment consultant for the District's apartment properties for a period of two-years at a total fee not to exceed $106,000, which includes monthly out-of-pocket expenses estimated at $50 per month.

LIST OF EXHIBITS:

Exhibit "A" – Market-THINK Fee Proposal & Scope of Work

Exhibit "A"

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

April 15, 2017

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:

  Sycamore Canyon and Wood Canyon Villas

  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,** 2017 for a period of two years through **April 30,** 2019.

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 2017 through April 2018)	Monthly Flat Fee for estimated 20-25 hours per month.	$4,295 per month
Monthly subtotal for year two (May 2018 through April 2019)	Monthly Flat Fee for estimated 20-25 hours per month.	$4,395 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 $4,295, which represents approximately 20-25 hours per month dedicated to IRWD from May 1, 2017 through April 30, 2018.
2. Monthly retainer of $4,395, which represents approximately 20-25 hours per month dedicated to IRWD from May 1, 2018 through April 30, 2019.
3. A new contract beyond April 30, 2019 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	$4,295.00

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	____________________		________________

May 30, 2017
Prepared by: Rob Jacobson
Submitted by: Cheryl Clary
Approved by: Paul Cook

ASSET MANAGEMENT COMMITTEE

SERRANO SUMMIT PROPERTY
LEWIS OPERATING GROUP – CONSULTING AGREEMENTS

SUMMARY:

In April 2012, the District retained Lewis Operating Group (Lewis) to manage the process of obtaining a recordable final map for the Serrano Summit project. Based on the agreement, Lewis contracted directly with the project design consultants, with reimbursement payments made by the District to Lewis. Lewis management has indicated its interest in submitting a proposal to purchase the Serrano Summit property during the upcoming sale process and has requested that, effective June 1, the District contract directly with four consultants for direct payment of final design services. Staff recommends that the Committee approve new consulting agreements for the remaining contract amounts. The consultants and contract amounts were previously approved by the Board and are included in the current project budget.

BACKGROUND:

In April 2012, the Board approved the retention of Lewis to manage the process of obtaining a recordable final map for the Serrano Summit project. A recordable final map is anticipated to significantly increase the value of the property. Lewis managed the bidding and selection process for the project design team, with the consultants approved by the Board. Completion of the final map is expected in June 2017, and the project's Offering Memorandum was released to the market on May 22, 2017.

Recently, Lewis management expressed its interest in submitting a proposal to purchase the Serrano Summit project during the current sale process and requested that, effective June 1, the District retain the consultants and remaining contract amounts for direct payment of services. The contracted amounts and consultant selections were previously approved by the District and are included in the current project budget.

Remaining Design Services Contracts:

Project consulting agreements with remaining contract balances and continuing services include the following:

- Michael Baker International (MBI) – Civil Engineer
- Architerra – Landscape Architect
- Utility Specialists – Dry Utility Consultant
- GMU Geotechnical – Geotechnical Engineer

District staff and Lewis are evaluating the outstanding contracts to verify remaining balances. Staff will provide the Committee with additional detail at the meeting.

Project Management Services:

In 2015, Lewis' project manager for the Serrano Summit project, Omar Dandashi, transitioned from being a Lewis employee to an independent contractor retained by Lewis as a consultant for the project. Along with the design consultant contracts referenced above, staff intends to retain Mr. Dandashi under a separate agreement for any remaining services required to complete the final map and for consulting services related to the sale of the project. The contract will be for an amount not to exceed $25,000.

FISCAL IMPACTS:

The approved capital budget amount for the Asset Optimization – Lake Forest Property (Project No. 1264) is $6,745,000. To date, project expenses for entitlement consulting, project planning and design, permits, fees and processing total approximately $6,479,569. Initiating new consultant agreements will have no additional fiscal impact.

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 Committee approve new Professional Service Agreements for Michael Baker International, Architerra, Utility Specialists and GMU Geotechnical based on remaining contract balances for the Serrano Summit project.

LIST OF EXHIBITS:

None.

RECOMMENDATION:

Based on discussions and feedback from the Committee at the meeting, staff will respond to the offer accordingly.

LIST OF EXHIBITS:

Exhibit "A" – OPA Property Map