

**SPECIAL ADMINISTRATIVE
COMMITTEE MEETING
AND
SPECIAL MEETING OF THE
BOARD OF DIRECTORS**

**Thursday, March 29, 2012
5:30 p.m.**

Committee Members:

Bryan Urias, Chair
Charles M. Treviño



UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT

602 E. Huntington Drive, Suite B
Monrovia, CA 91016

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*The Administrative Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Administrative Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administrative Committee will not vote on matters before the Committee.

Communications

1. Call to Order.
2. Public Comment.

Discussion/Action

3. Discussion of the El Monte Building and Authorization to Lease the Property. *(Staff recommendation enclosed.)*

Oral Reports

4.

Other Matters

5.

Adjournment

Next Meeting: April 26, 2012 at 5:30 p.m.



MEMORANDUM

UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT 

ITEM 3. ACTION

DATE: March 28, 2012
TO: Administrative Committee
FROM: General Manager
SUBJECT: Authorize the General Manager to negotiate and execute a lease for the El Monte property.

Recommendation

It is recommended that the Board of Directors authorize the General Manager to negotiate and execute a lease for the El Monte property.

Background

In July of 2011, the Upper District relocated its administrative offices from 11310 Valley Boulevard (El Monte Property) in the City of El Monte to a leased commercial office space at 602 E. Huntington Dr. in the City of Monrovia. The relocation of the administrative offices avoided the need to expand and upgrade the El Monte office location.

In November of 2011, the Board directed staff to evaluate options for the El Monte Property including its sale. Staff has completed this evaluation and recommends leasing the El Monte Property for the near term (next 3-5 years) rather than selling the property.

Near-term strategy

While the commercial real estate and raw land markets have recently begun to show signs of recovering from the recession, prices are still depressed from historic highs seen in 2007 and 2008.

An appraisal estimated the El Monte property to be worth about \$1.1 million. Discussions with commercial real estate brokers support this estimate with a consensus from the brokers that the property may sell for at most \$1.3 million. The most likely buyer will be an owner-user that is in the market for commercial office space.

The majority of the appraised value is held in the raw land itself with a value of \$0.84 million. Raw land values in the San Gabriel Valley have fallen about 36 percent from their peak in 2008. Leasing the El Monte Property as-is for the next 3-5 years provides for the recovery of some of the lost value of the property and offsets a portion of the lease for the Monrovia property.

Lease option

Staff has researched the commercial office space lease market. Current lease rates for triple net (lessor pays all utilities and operating costs) or modified gross (tenants pays utilities and landlord pays operating costs) range from \$0.85 per square foot to \$1.25 per square foot.

Staff received the following general terms of an offer to lease the El Monte Property:

- Use: General office use for a construction company.
- Term: The term of the lease shall be three (3) years.
- Commencement Date: Upon execution of a lease.
- Base Rent: \$1.50 per square foot, per month, gross. Tenant shall pay the utilities and landlord shall pay all operating expenses (i.e. taxes and insurance).
- Pre-paid Rent: Upon execution of the lease, tenant shall prepay the rent for the entire three-year period.
- Option to Extend: Tenant shall have two (2) options to extend the lease for two (2) additional six-month periods.

This lease offer is favorable for three reasons: 1) it is above current comparable market rates; 2) does not expose Upper District to any tenant credit risk; 3) does not require any tenant improvements; 4) offsets 47 percent of the cost of leasing the current administrative office space in Monrovia. Leasing the El Monte Property in the near term reduces the cost of operating from the Monrovia location to an effective lease rate of \$1.19 (triple gross) per square foot for Class A office space.