



Waterman Golf Course Lease 1494 S. Waterman Avenue, San Bernardino

Public Utilities Department

City Council
March 7, 2017

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RECOMMENDED ACTIONS

1. Approve the 55-year ground lease with GSW#4 Development LLP, a Hillwood entity
2. Approve the well relocation agreement with Hillwood Enterprises LP
3. Approve in concept the draft J.G. Golfing termination agreement
4. Approve the Purchase and Sale Agreement with Hillwood Enterprises LP for the SCE Parcel



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HISTORY

1. April 26, 2016 City Council approved an Exclusive Negotiation Agreement with Hillwood to evaluate lease potential
2. ENA expired November 3, 2016
3. Staff has reached agreement on terms recommended here



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BACKGROUND

1. RPU owns 62 acres located at 1494 S. Waterman Avenue
2. Current lease with J.G. Golfing Enterprises Inc.
 - A. Remaining term through April 2037
 - B. Annual revenue approximately \$173,000



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BACKGROUND CONT.

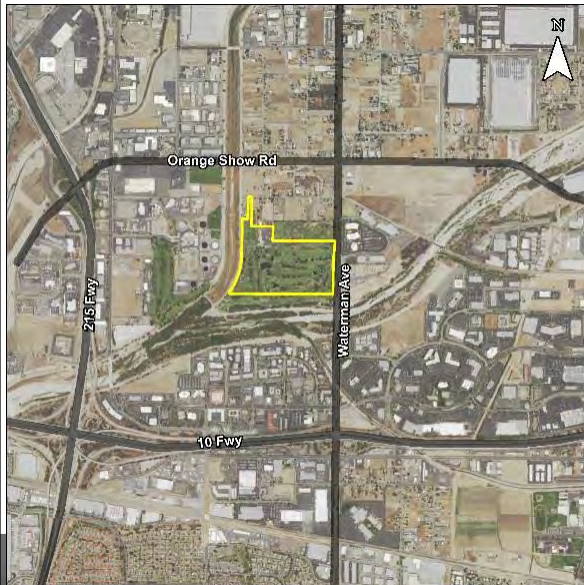
3. Operated as public golf course
4. 1.7 acre parcel in middle of RPU parcel - Owned by Southern California Edison
5. Wells & pipeline facilities - drinking and irrigation water



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CURRENT PARCEL CONFIGURATION



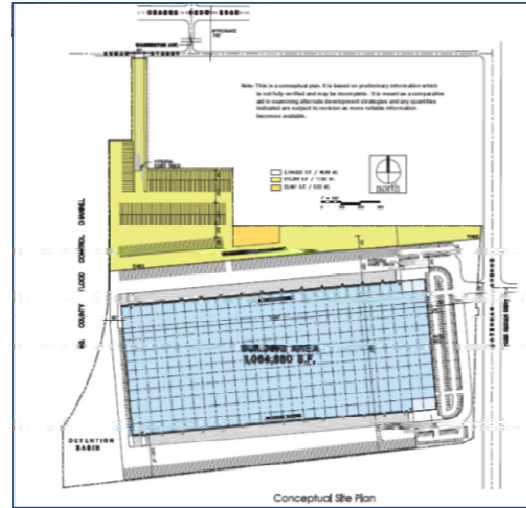
1. Waterman Avenue north of Santa Ana River
2. Connectivity to E. Dumas Road
3. Driving range and course west of channel owned by others

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DEVELOPMENT CONCEPT

1. 1,064,000+ square foot distribution or fulfillment center
2. Truck Parking and access from Orange Show Road
3. Well and pipeline facilities to be relocated
4. SCE transmission facilities remain in place



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PROPOSED TERMS

1. 55 year ground lease
2. Commencing after entitlements
3. Monthly base rent of \$88,494 based on valuation of \$8.00/sf
4. CPI escalation with minimum guaranteed increases



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PROPOSED TERMS

5. Parking area lease at \$0.15/sf annually
6. Option payments of \$10,000 per month until commencement
7. JG Golf lease payments through commencement



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RENT CREDITS

1. \$4,100,000 rent credit for new well and pipeline
 - a. Amortized over 15 years (first 180 months)
 - b. 3% interest, straight line amortization.
2. \$4,500,000 rent credit for JG Golf termination
 - a. Amortized over 15 years (first 180 months)
 - b. 0% interest, straight line amortization



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PURCHASE AND SALE AGREEMENT

Hillwood to acquire SCE parcel and deed to Riverside at commencement

1. Payment of \$1.00 through escrow account
2. No other value consideration



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OTHER TERMS

1. Hillwood responsible for all well and pipeline abandonment
2. Hillwood responsible for all entitlement and development costs
3. Improvements become property of City upon termination
4. Taxes and assessments to be paid by Hillwood or lessee



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PROJECTED REVENUE

1. Revenue through March 2018 = \$292,800
2. First lease year revenue net of credits = \$470,000
Anticipated to commence April 2018
3. Lease revenue over 55 year term = \$45,000,000

Year 1 lease revenue equal to 0.5% of retail revenue for Water Fund



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RECOMMENDATIONS

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2. Approve the well relocation agreement with Hillwood Enterprises LP
3. Approve in concept the draft J.G. Golfing termination agreement



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RECOMMENDATIONS CONT

That the City Council:

4. Approve the Purchase and Sale Agreement with Hillwood Enterprises LP for the SCE Parcel; and
5. Authorize the City Manager to execute the Ground Lease with GSW#4 Development, LLC, the Well Relocation Agreement with Hillwood Enterprises, L.P. and the Purchase and Sale Agreement with Hillwood Enterprises, L.P.



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