

**Office of the President
November 6, 2003**

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ITEM FOR ACTION

For Meeting of November 19, 2003

SALE OF 685 ACRES OF LAND, MORENO VALLEY, RIVERSIDE CAMPUS

The President recommends that the Committee on Finance recommend to The Regents that:

- (1) The Regents accept the bid from Moreno Valley Properties, LP (“Bidder”), the high bidder pursuant to sealed bids opened October 22, 2003, to acquire approximately 685 acres located in the City of Moreno Valley, 12 miles east of the Riverside campus, and commonly known as the Moreno Valley Field Station, a former agricultural research facility, for a purchase price of \$55,101,000.99.
- (2) The Officers of The Regents be authorized to execute a deed for said land in favor of Bidder, reserving for The Regents the oil, gas, and other minerals and hydrocarbon substances below a depth of 500 feet without the right of surface entry.
- (3) The Officers of The Regents be authorized to execute other agreements and ancillary documents related to this sale.

BACKGROUND

The Regents own approximately 685 acres of land in Moreno Valley, California. This property is one of three experimental farmland facilities managed by the Riverside campus: the 486-acre Citrus Research Center and Agricultural Research Station adjacent to the main campus, the 540-acre Coachella Valley Agricultural Research Station (CVARS) located in Thermal, and the Moreno Valley Field Station (MVFS). MVFS is located approximately 12 miles east of the Riverside campus in the City of Moreno Valley. MVFS, which originally consisted of approximately 840 acres, was acquired through eminent domain in 1962 for approximately \$795,000. Of that amount, approximately 81% came from state appropriations, and the remaining 19% from University funds.

At the July 1989 meeting of the Committee on Grounds and Buildings, the Riverside campus presented an overview of the preliminary evaluations for the long-term use of MVFS. The Committee was informed that campus growth and recent urbanization of the area around MVFS warranted an evaluation of the campus’ long-term farmland needs.

In the early 1990s the Riverside campus determined that MVFS was no longer appropriate for agricultural research. The two primary reasons for this determination were (1) that the area surrounding MVFS was rapidly changing in character and being developed with residential and other urban uses, and (2) the soils on the site, due to excessive concentrations of boron, were not suitable for certain types of agricultural research the campus was pursuing. Consequently, the campus has pursued the acquisition of replacement agricultural research facilities (CVARS) and explored alternate future uses for MVFS.

In March 1990, The Regents approved the sale of 80 acres of the original 840 acres to the County of Riverside, on which the Riverside General Hospital has since been built. Later in 1990, The Regents approved the acquisition of the approximately 540-acre CVARS. Also in 1990, the campus began the development of a specific plan for urban uses of the MVFS property; this planning process was the subject of Regents' items in July and November 1991.

In 1992, an additional 25 acres of land were sold to the County of Riverside for future expansion of the hospital. In 1992, The Regents approved the sale of land to the Moreno Valley Unified School District (MVUSD) for construction of a new high school. Fifty acres were sold to MVUSD in 1994 and the new high school was completed earlier this year.

The specific plan and EIR for development of the balance of MVFS land, with 2922 residential units and related community facilities, were completed and approved by the Moreno Valley City Council in 1998 (Specific Plan No. 218, dated October 15, 1998). Subsequently, all CEQA issues and legal challenges were addressed, and the Final Supplemental Environmental Impact Report was certified in May 2003. No additional environmental action under CEQA is required for the sale of this property.

Sale of Remaining MVFS Acreage

The residential real estate market in Southern California generally and in the Inland Empire in particular has rebounded very strongly over the past two years.

The campus, working with Real Estate Services Group (RESG), determined in July 2003 that the current market environment was very favorable for a sale of the remaining MVFS acreage. In order to determine the minimum bid and other terms of a sale under the Stull Act, to which this sale is subject, the campus and RESG interviewed several brokers familiar with the Southern California land market. Grubb & Ellis was retained by RESG to market the property; a minimum bid for the competitive sealed bid was set at \$32 million, and a comprehensive marketing plan was developed and implemented. In addition to public advertising, more than 200 individuals and entities received information packages on the property.

Four bids were received by the deadline of October 21, 2003. The highest bid which met all requirements of the sealed bid process (including making a \$2 million deposit) was received from Moreno Valley Properties, LP, with a bid of \$55,101,000.99 (\$80,439/acre, \$18,857/approved unit). The President recommends that The Regents accept this bid and approve the sale of the remaining 685 acres of land at MVFS. If The Regents accept the bid and approve this sale, escrow is scheduled to close on or before January 7, 2004.

The University intends to negotiate with the state regarding the disposition of the proceeds from the sale of this property and propose the funds be used in connection with the UCR Genomics Building in the State Capital Improvement Program.