



Army Corps Lease for 2205 Railroad St

FLED



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General Manager

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Background

- DWP leases approx. 48 acres at 2205 Railroad Street from Army Corps of Engineers
- Site of Water Reclamation Facility #1
- Initial lease term: May 1, 1967 – April 30, 2017
- Initial lease payment was re-evaluated periodically based on a reappraisal of the property
- Current payment is approx. \$91,000 per year

Current Status

- Staff has been working with Army Corps on a 35-year lease agreement
- In May 2018 appraisal performed valued the land at \$11,453,000 for the current use
- Army Corps proposed two lease options
 1. 35-year lease with annual payments
 2. 35-year lease paid in 7 years through in-kind services

Lease Options

Option	Term	Annual Payment	Cumulative Amount Paid
Annual Payment	35 years	\$600,000 (plus up to 3% escalation per year)	Minimum \$21,000,000 Maximum \$36,277,249
In-kind Services Option	35 years	\$2,000,000 first four years \$1,000,000 three years	\$11,000,000

In-kind Services Lease

Fiscal Year	Amount	Admin Cost Retained by the City	Paid to USACE Contractors Directly
2020	\$2,000,000	\$100,000	\$1,900,000
2021	\$2,000,000	\$100,000	\$1,900,000
2022	\$2,000,000	\$100,000	\$1,900,000
2023	\$2,000,000	\$100,000	\$1,900,000
2024	\$1,000,000	\$100,000	\$900,000
2025	\$1,000,000	\$100,000	\$900,000
2026	\$1,000,000	\$100,000	\$900,000
Total	\$11,000,000	\$700,000	\$10,300,000

Committee Input Needed



- Staff recommends Option 2: In-kind Services Agreement
- Benefits
 - Lower total cost
 - Keeps money local in the community

QUESTIONS?



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