



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe, Operational Strategies Manager
DATE: November 18, 2015
SUBJECT: **Discussion and action on the acquisition of real property for the Mt. Rose Water Treatment Plant and approval and authorization to General Manager to execute purchase agreement for approximately 3.9 acres from T.L. Mt. Rose Estates L.P. for \$250,000**

RECOMMENDATION

Staff recommends that the Board authorize the General Manager to execute the Purchase and Sale Agreement with Joint Escrow Instructions, dated for identification purposes as of October 19, 2015, and continue to proceed with determining the feasibility of the intended use of the property for a Water Treatment Plant.

Possible Motion: “I move to authorize the General Manager to execute the Purchase and Sale Agreement, dated for identification purposes as of October 19, 2015.”

BACKGROUND

The Mt. Rose/Galena fan area is generally located along the corridor of the Mt. Rose highway, and south of the highway into Pleasant Valley. In addition to the former municipal systems of Washoe County Department of Water Resources (DWR) and the South Truckee Meadows General Improvement District (STMGID), there are approximately 500 active domestic wells in the area. TMWA recognized that upon acquisition of the DWR and STMGID systems, TMWA would need to develop programs to move surface water into these systems and conjunctively manage surface and groundwater resources in the Mt. Rose fan area to protect existing municipal groundwater supplies.

On May 14, 2015, the Board adopted Resolution 229 and amended TMWA’s Rate Schedule WSF to Modify Charge Area 14 and 15 Facility Charges and Boundaries, effective as of June 1, 2015. The Board is referred to the attached Staff Report for additional background information. As part of the facilities included in WSF Charge Area 15, TMWA has identified the need to construct a small water treatment plant (“WTP”) located in the upper portions of the Mt Rose fan area to treat Whites Creek and Thomas Creek water to provide reliability of supply, avoid or reduce pumping costs and avoid major on-peak capacity improvements within the lower TMWA gravity system. The County’s 2002 South Truckee Meadows Facility Plan recognized “The

upper treatment plant is an integral component of the recommended water supply plan.... Most importantly; it will provide recharge water and/or offset winter groundwater pumping in the upper Mt Rose fan area”.¹

DISCUSSION

TMWA has completed an independent Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant (“Siting Analysis”) and prepared a Whites and Thomas Creek Resource Analysis (including an Instream Flow Review and Preliminary Habitat Evaluation). Based on these evaluations, TMWA has concluded that the proposed small WTP is viable, and that it’s prudent to continue to move forward with the permitting and acquisition of a WTP site. The Siting Analysis evaluated a total of seven properties, located west of Thomas Creek Road, east of Timberline Drive, and generally between Thomas Creek to the north and Whites Creek to the south. The Siting Analysis concluded that the subject property, identified as Block D, is the preferred site for the WTP due to its location, the ability to visually screen the WTP from neighbors, its proximity to existing utilities (water, power, gas and sewer), its proximity to Whites Creek, and relative site development / infrastructure costs.

The subject Purchase and Sale Agreement with Joint Escrow Instructions (“Agreement”) is offered for the Board’s review and approval. The Agreement was negotiated to allow TMWA to proceed with various preliminary design and permitting efforts associated with the WTP before obligating TMWA to purchase the property. The Agreement provides for a due diligence period until April 1, 2016 to determine the feasibility of the intended use of the property. The Agreement also allows for two 45 day extensions with a \$5,000 non-refundable payment for each extension, if necessary. Key conditions precedent to closing as set forth in Article IV of the Agreement include: Title Insurance, subdivision of the parcel, TMWA obtaining a Special Use Permit for the WTP, and County easements for the creek diversion facilities. As set forth in Article V, TMWA, in its sole discretion, may terminate the Agreement for any reason within the due diligence period.

The Agreement provides for the purchase of a 3.9 acre parcel for the price of \$250,000. It is proposed that the parcel will be created by subdividing 3.9 acres out of a larger 6.65 acre existing parcel. At present, the subject property’s legally permissible use is common area open space (OS) for the proposed Monte Vista 3B subdivision. In accordance with Washoe County Code (Chapter 110, Division 3, Section 110.302.05), properties zoned OS may be developed for civic uses if granted a Board of Adjustment Special Use Permit. To qualify for the permit, the proposed use must be a Utility Service. Much of the site is currently designated for use as a storm drainage detention basin.

TMWA had an appraisal of the site prepared by Johnson Perkins Griffin Real Estate Appraisers and Consultants. A summary of the appraisal is attached, a copy of the full appraisal report can be obtained on request. As common area open space, the appraisers’ opinion of market value is \$57,000. Staff believes that the negotiated purchase price of \$250,000 for the property *used as a WTP* is the least cost of the sites evaluated, and is reasonable based on the following facts:

¹ Technical Memo 8, Recommended Water and Wastewater Facility Plan, Pg 8-14 (June 28, 2002)

- The appraisal identified several residential zoned parcels with comparable sales prices ranging from \$132,500 to \$175,000, or \$31,800 to \$53,662 per acre of land. Presently, no suitable parcels in the targeted area are available for sale.
- Other potentially available sites are under the management and administration of the USFS or zoned as Washoe County Open Space. Both agencies discouraged staff from pursuing a WTP at these locations. Other public works projects in this area have been denied easements due to unacceptable cumulative impacts to the heritage and other resources in the vicinity. Visual impacts to the Washoe County Open Space resource were also a significant concern. Assuming a Special Use Permit could be obtained for either of the alternative sites, the process would be contentious, lengthy and expensive compared to the preferred Monte Vista site alternative.
- The preferred Monte Vista site is less costly to develop compared to other alternatives. As shown in Table 1, estimated infrastructure savings are at least \$150,000 for raw water piping, treated water piping, sewer connection piping for backwash solids, and access road improvements compared to the other sites.
- Lastly, the site is the easiest to screen from neighboring parcels with grading and landscaping, compared to the alternative sites considered / evaluated. As part of the Agreement, TMWA is responsible for installing at least \$50,000 in landscaping improvements to help screen the site from surrounding residential properties. Landscaping improvements will be a condition of the Special Use Permit, and required regardless of which site is developed.

In conclusion, the expected minimum cost of an alternative site, assuming one could be acquired, is \$300,000, based on \$150,000 for site purchase or an easement, plus \$150,000 for additional site development / infrastructure costs. Therefore, the purchase price of \$250,000 for use as a WTP is reasonable. \$500,000 is budgeted in the FY2016 CIP toward WTP land acquisition (4 acres @ \$120K/acre + closing costs).

SUMMARY

TMWA needs to conjunctively manage surface and groundwater resources in the Mt. Rose fan area to protect existing municipal groundwater rights and water resources. On May 14, 2015, the Board adopted Resolution 229 and amended TMWA's Rate Schedule WSF to Modify Charge Area 14 and 15 Facility Charges and Boundaries, which includes implementation of a WTP in the Mt Rose fan area. An independent Siting Analysis concluded that the subject property, a 3.9 acre parcel within the proposed Monte Vista 3B subdivision, is the preferred site for the WTP. The purchase price of \$250,000 for the site is reasonable, and is the least cost of the sites evaluated.

Therefore, staff recommends that the Board authorize the General Manager to execute the Purchase and Sale Agreement with Joint Escrow Instructions, dated for identification purposes as

of October 19, 2015, and continue to proceed with determining the feasibility of the intended use of the property for a Water Treatment Plant.

Attachments:

Purchase and Sale Agreement

May 14, 2015, Staff Report regarding TMWA's Rate Schedule WSF

Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Appraisal by Johnson Perkins Griffin Real Estate Appraisers and Consultants

Table 1, Estimated Infrastructure Costs

**PURCHASE AND SALE AGREEMENT
WITH JOINT ESCROW INSTRUCTIONS**

This Purchase and Sale Agreement with Joint Escrow Instructions (this "**Agreement**"), dated for identification purposes only as of October 19, 2015, is made and entered into by and between TL MT. ROSE ESTATES, L.P., a California limited partnership (hereinafter collectively referred to as "**Seller**"), and TRUCKEE MEADOWS WATER AUTHORITY, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277 (hereinafter referred to as "**Buyer**"). Seller and Buyer may be referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

A. Seller owns fee simple title to certain real property in Washoe County, Nevada, identified as a portion of Assessor's Parcel Number 150-460-05 containing approximately 3.9 +/- acres and is approximately depicted on Exhibit A attached hereto and incorporated herein by this reference (the "**Land**"). The exact acreage, size, location and legal description of the Land shall be determined in the Parcel Map, as defined in Section 4.2(f). The Land together with all improvements, rights, privileges, maps, and easements is collectively referred to herein as the "**Property**".

B. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller, pursuant to all of the terms and provisions of this Agreement set forth below.

AGREEMENT

NOW THEREFORE, in consideration of and in reliance upon the above recitals, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.
Purchase and Sale.

1.1 Agreement To Sell And Purchase. Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell, and Buyer hereby agrees to purchase the Property together with all of Seller's right, title and interest in and to all of the appurtenances belonging or appertaining thereunto.

1.2 Purchase Price. The purchase price for the Property shall be Two Hundred Fifty Thousand Dollars and no cents (\$250,000.00) (the "**Purchase Price**") payable to Seller upon Closing. Seller and Buyer agree that the Property shall be conveyed to Buyer by grant, bargain and sale deed ("**Deed**") in the form the Grant, Bargain and Sale Deed attached hereto as Exhibit "B". Both parties shall deposit with the Escrow Holder, all funds and instruments necessary to complete the Property purchase in accordance with the terms hereof.

1.3 Payment of Purchase Price.

A. Deposit. Within three (3) business days of the Effective Date, Buyer shall deliver to the Title Company a wire transfer in the amount of Five Thousand Dollars and no cents (\$5,000.00) as an earnest money deposit (the "**Deposit**"). The Deposit shall be held in an interest-bearing account and shall be applied together with any interest earned to the Purchase Price. The Deposit shall be non-refundable to Buyer upon the conclusion of the Due Diligence Period, except as provided under Section 9.23 herein.

B. Balance. The balance of the Purchase Price shall be paid by Buyer into Escrow via a wire transfer to the Title Company in immediately available funds (the "**Balance Payment**") at the Closing.

ARTICLE II Escrow
and Closing.

2.1 Title Company. Buyer and Seller mutually agree the consummation of the purchase and sale contemplated by this Agreement (the "**Closing**") which shall take place through an escrow ("**Escrow**") at Western Title Company, Inc. (the "**Escrow Holder**" or the "**Title Company**"), 5390 Kietzke Lane, Reno, Nevada 89511; Attn: Don Allen.

2.2 Terms of Escrow. Consummation of this Escrow shall be in accordance with the following terms and conditions.

A. Within three (3) business days of the Effective Date, Buyer shall open the Escrow by delivering a fully-executed copy of this Agreement to the Title Company. The Title Company shall immediately execute copies of this Agreement where indicated and return fully-executed copies of this Agreement to Seller and Buyer. This Agreement shall be considered as the Escrow instructions between the Parties, with such further instructions as the Title Company may reasonably require in order to clarify the duties and responsibilities of the Title Company. If the Title Company shall require further Escrow instructions, Buyer shall request that the Title Company promptly prepare Escrow instructions, on its usual form, for the purchase and sale of the Property upon the terms and conditions hereof. Said Escrow instructions otherwise conforming to the terms hereof shall be promptly signed by Buyer and Seller. The Escrow instructions shall incorporate each and every term of this Agreement and shall provide, in the event of any conflict between the terms and conditions of this Agreement and said Escrow instructions, the terms and conditions of this Agreement shall control, unless specifically provided otherwise in said instructions.

B. Seller shall deposit into Escrow, within two (2) business days prior to the Closing Date (as defined herein):

1. An executed Grant, Bargain and Sale Deed ("**Deed**") in recordable form and in a form and substance attached hereto as Exhibit B, conveying the Property purchased and sold hereunder;

2. A certification duly executed by Seller under penalty of perjury certifying that Seller is not a "foreign person" in accordance with and for the purpose of the provisions of Sections 7701 and 1445 of the Internal Revenue Code of 1986, as amended; and

3. Such other executed documents as may be necessary to carry out the terms set forth in this Agreement.

C. Buyer shall execute and deposit into Escrow, within two (2) business days prior to the Closing:

1. The Balance Payment by wire transfer;

2. Such other executed documents as may be necessary to carry out the terms set forth in this Agreement.

D. The Title Company shall cause to be drafted any other documents to be recorded or signed by the Parties as may be necessary to carry out the terms set forth in this Agreement.

ARTICLE III Escrow Charges.

3.1 Seller's Charges. Title Company shall charge and collect from Seller at Closing the following:

A. The cost of the title insurance for a standard ALTA (formerly referred to as CLTA coverage) Owner's Title Insurance policy;

B. One-half of the Escrow charges;

C. If applicable, one-half of the tax on transfer of the Property provided for in Sections 375.010 through 375.110 of the Nevada Revised Statutes, as amended; and

D. Any taxes or public or private assessments for the current fiscal year, which taxes and assessments shall be pro-rated between Seller and Buyer as of the Closing Date with Seller obligated to pay the amount to and including the Closing Date.

3.2 Buyer's Charges. Title Company shall charge and collect from Buyer at closing the following:

A. The additional cost for the ALTA extended title policy, if any;

B. One-half of the Escrow charges;

C. Any taxes and public or private assessments on the Property for the current fiscal year, if any, which may be applicable to Buyer from the date after the Closing Date; and

D. One-half of the tax on transfer of the Property provided for in Sections 375.010 through 375.110 of the Nevada Revised Statutes, as amended.

ARTICLE IV
Close of Escrow

4.1 Closing Date. Provided that the Conditions Precedent set forth in Section 4.2 have been satisfied, Escrow shall close on or before thirty (30) days after the expiration of the Due Diligence Period (the "**Closing Date**").

4.2 Conditions Precedent to Closing. The following are the conditions precedent (collectively "**Conditions Precedent**") to the obligations of Buyer and Seller under this Agreement.

4.2.1 Buyer's Conditions to Closing. The following are conditions precedent to Buyer's obligation to Close Escrow ("**Buyer's Conditions Precedent**") and are each for the benefit of Buyer, each of which must be satisfied prior to the Closing or waived in writing by Buyer prior to the Closing.

A. Title Insurance. Subject to the creation of a separate legal parcel for the Land, Title Company shall be irrevocably committed to issue the Title Policy in the amount of the Purchase Price. Buyer shall have the right to request that the Title Company issue an ALTA Extended Title Policy and/or additional title endorsements at Buyer's sole cost and expense provided (i) the Close of Escrow will not be delayed beyond the Closing Date because of such request, (ii) Buyer shall be solely responsible for satisfying all requirements for the issuance of the ALTA Extended Title Policy (including provision of an ALTA Survey);

B. Seller's Representations. All of Seller's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date;

C. Property Condition. As of the Closing, the physical condition of the Property shall not have been materially altered, changed or affected from its condition as it existed on the Effective Date;

D. Intervening Laws. No laws, ordinance, statute, code, moratorium, ruling, or order shall have been enacted by any governmental agency or entity with jurisdiction over Buyer or the Property or by any court of competent jurisdiction that would have a material adverse effect on Buyer's intended use, holding, or development of the Property;

E. Seller's Performance. Seller shall not otherwise be in default under this Agreement;

F. Subdivision of Parcel. Seller and Buyer acknowledge that a separate legal parcel has not been created for the Property and must be created and approved by appropriate governmental entities prior to and as a condition of Closing. Buyer may, at Buyer's sole expense, prepare a parcel map ("**Parcel Map**") and such governmental applications

necessary to create a separate parcel for the Property during the Due Diligence Period. Buyer shall thereafter seek and secure all required Final Governmental Approvals prior to the Closing to subdivide and create a separate parcel comprised of the Property and to permit the recordation of the Parcel Map and conveyance of the Property to Buyer. Seller shall reasonably cooperate with Buyer in connection therewith, as the legal owner of the Property, including, without limitation, reviewing, approving, and signing any such applications or other documents required to secure the Parcel Map, provided that Seller does not incur any material costs or expenses in connection therewith. In no event shall the Final Governmental Approvals for the Parcel Map be recorded prior to closing or otherwise modify the existing entitlements prior to Closing. As used in this Agreement, the term "**Final Governmental Approvals**" shall mean the final act by any governmental agency or entity with jurisdiction over approval of the Parcel Map and Special Use Permit, not subject to appeal, granting approval of the Parcel Map and Special Use Permit under applicable laws.

G. Special Use Permit. Buyer may during the Due Diligence Period, at Buyer's sole expense, prepare a special use permit application ("**Special Use Permit**") and such governmental applications necessary to allow the use of the Property for the installation and construction of water facilities including but not limited to a surface water treatment plant and related facilities ("**Special Use Permit**"). Buyer shall thereafter seek and secure all required Final Governmental Approvals prior to the Closing for the issuance of the Special Use Permit, on terms and conditions acceptable to Buyer. Seller shall reasonably cooperate with Buyer in connection therewith, as the legal owner of the Property, including, without limitation, reviewing, approving and signing any such applications or other documents required to secure the Special Use Permit, provided that Seller does not incur any material costs or expenses in connection therewith. Buyer shall have no obligation, in any case, to continue to endeavor to obtain Final Government Approvals of the Special Use Permit if, in its reasonable discretion, Buyer deems the timing, conditions, mitigation fees, or cost to obtain the same to be commercially unreasonable.

H. Association Approvals. All homeowners association and/or architectural review committee approvals, if any, shall have been obtained. Seller shall reasonably cooperate with Buyer in securing such approvals.

I. County Easement. Buyer shall have secured all necessary easements and comparable rights of access (the "**County Easement**") through property owned by Washoe County required for the construction, operation and maintenance of water facilities necessary to divert and transport water from Whites Creek to the Property or other easements appurtenant to the Property. Seller shall reasonably cooperate with Buyer in securing such approvals

In the event that any of the Buyer's Conditions Precedent are not satisfied or waived by Buyer in writing prior to the Closing Date, or if the Parcel Map and/or Special Use Permit is unreasonably conditioned or modified by governmental authorities, Buyer shall not be obligated to proceed to Closing and shall have the right to terminate this Agreement by written notice to Seller and Title Company given on or before the Closing Date.

4.2.2 Seller's Conditions Precedent. The following described Conditions Precedent ("**Seller's Conditions Precedent**") are for the benefit of Seller, each of which must be satisfied or waived in writing by Seller prior to the Closing:

A. Buyer's Representations. All of Buyer's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date;

B. Buyer's Performance. Buyer shall not otherwise be in default under this Agreement.

In the event that any of the Seller's Conditions Precedent are not satisfied or waived by Seller in writing prior to the Closing Date, or if the Parcel Map or Special Use Permit is unreasonably conditioned or modified by governmental authorities and such conditions or modifications would have a material adverse effect upon any adjacent property owned by Seller, in Seller's sole discretion, then Seller shall not be obligated to proceed to Closing and shall have the right to terminate this Agreement by written notice to Buyer and Title Company given on or before the Closing Date.

4.3 Closing Duties of Title Company. At the Closing Date, Title Company shall:

A. Cause the Parcel Map (if not previously recorded), Deed and any other appropriate documents to be recorded in the office of the County Recorder of Washoe County, Nevada;

B. Deliver to Buyer the Title Policy as provided herein and a conformed copy of the recorded Deed, and other instruments conveying title to the Property; and

C. Deliver to Seller, the payment of the Purchase Price adjusted for any prorations.

ARTICLE V

Due Diligence Period and Analysis of Property.

5.1 Preliminary Title Report. Seller shall cause, at Seller's expense, Title Company to deliver to Buyer within five (5) days following the Effective Date, for the approval of Buyer, a preliminary title report ("**Preliminary Title Report**") on the Property and legible copies of all documents giving rise to items of exception thereunder. Buyer shall have the right to object to any item contained in the Preliminary Title Report by written notice to Seller within the Due Diligence Period. Buyer hereby objects to all monetary liens and encumbrances (other than the lien of non-delinquent real property taxes) and all rights of mechanics or materialmen arising under any mechanics' lien laws (other than for work performed by or at the request of Buyer), and Seller shall cause all such liens and encumbrances to be removed prior to the Closing Date. Buyer's failure to otherwise object to any other item contained in the Preliminary Title Report shall constitute Buyer's approval of such exceptions to title shown therein. Buyer, in its sole discretion, may elect to obtain an ALTA Survey, as defined in Section 5.2 below, of the Property, which shall be completed at least fifteen (15) day prior to the Closing Date. Buyer shall have an additional five (5) business days from the receipt of the ALTA Survey to object in writing to: (i) any encumbrance, encroachment, or other survey matter affecting the Property as

shown on the ALTA Survey, and (ii) any new item shown on any supplemental title report issued by the Title Company issuing the Preliminary Title Report after the date of the original Preliminary Title Report, including new items resulting from the ALTA Survey. In the event that Buyer objects (or is deemed to have objected) to any item contained in the Preliminary Title Report, the ALTA Survey, or any supplemental title report within the time period required hereunder, Seller shall have ten (10) days in which to notify Buyer in writing that it: (i) does not elect to discharge or arrange for the discharge of any such objectionable item from record title on or before the Closing Date, or (ii) elect to discharge or arrange for the discharge of the same, on or before the Closing Date. If Seller fails to timely deliver such notice, Seller shall be deemed to have elected not to discharge the same. If Seller timely elects not to discharge each such item at such time, and Buyer will not waive its objection, Buyer may terminate this Agreement pursuant to the provisions of Section 5.5 and the Deposit shall be refunded to Buyer. If Seller timely elects to discharge any such item, such discharge shall be a condition precedent to closing, for Buyer's benefit, and Seller shall use all commercially reasonable efforts to discharge the same on or before the Closing Date. If Buyer terminates this Agreement as provided herein, neither party shall have a claim for damages against the other Party. Seller agrees to convey the Property free and clear of all liens and encumbrances, save and except those exceptions disclosed in the Preliminary Title Report, shown on any ALTA Survey obtained by Buyer, or contained in any supplemental title report issued hereunder to which Buyer has agreed or waived.

5.2 ALTA Survey. In the event Buyer elects to have an ALTA extended policy of title insurance issued at the Closing Date, Buyer shall be solely responsible for the additional costs and charges incurred in obtaining a survey which meets ALTA requirements ("ALTA Survey"). Buyer and Seller shall mutually cooperate to assure that the ALTA Survey is prepared in a timely manner in order to close Escrow.

5.3 Title Insurance. Seller shall cause the Title Company to issue and deliver to Buyer a ALTA Standard Owner's Title Insurance policy insuring title to the Property (the "Title Policy"), subject only to the conditions of record appearing on the Preliminary Title Report, any ALTA Survey obtained by Buyer, or contained in any supplemental title report issued pursuant to Section 5.1 which are not disapproved by Buyer pursuant to Section 5.1. The Title Policy shall have liability limits of not less than the Purchase Price.

5.4 Due Diligence Period. Buyer shall have until April 1, 2016 (the "Due Diligence Period") in order to conduct such due diligence investigations as Buyer deems necessary to determine the feasibility, economic or otherwise, of its intended use of the Property. Buyer may extend the Due Diligence Period by two (2) separate forty-five (45) day periods (total ninety (90) days) by paying to Seller Five Thousand Dollars (\$5,000) for each extension period and by notifying Seller in writing of each such election prior to the expiration of the then existing Due Diligence Period. Buyer shall pay all costs and expenses incurred to conduct the investigation and studies. Each extension payment shall be non-refundable and released to seller when paid but will be credited to the Purchase Price at Closing. Prior to submitting any application to a governmental authority seeking the Final Governmental Approvals, Buyer shall deliver copies to Seller for Seller's review and approval at least five (5) business days prior to any submission, such approval not to be unreasonably withheld, delayed or conditioned. Seller shall be deemed to have approved a submission if Seller does not object to Buyer in writing within five (5) business days of receipt. Buyer shall submit in an application for a Final Governmental

Approval only those items approved by Seller in writing or deemed approved by Seller. Without limiting the foregoing, the preceding sentence shall include all architecture drawings, plot plan, heights, tanks, and landscaping, to the extent applicable.

A. Seller agrees that prior to the expiration of the Due Diligence Period, Buyer and its employees, representatives, agents and consultants, at Buyer's sole cost and expense, shall have full and complete access to the Property to conduct any inspections, interviews, studies or tests that Buyer or its representatives deem necessary, in a manner not disruptive to the operations of the Property. Buyer agrees not to disturb the rights of the tenants of the Property or cause any damage to the Property in the course of any investigation, inspection, study or test on the Property, provided no drilling or boring of the Property shall be conducted without first obtaining Seller's prior written consent, which consent shall not be unreasonably withheld. Seller shall be provided copies of all reports related to the Property generated on behalf of Buyer as received by Buyer. Damage to the Property resulting from any inspection or testing conducted by or at the direction of Buyer will be repaired by Buyer so that the portion of the Property damaged by Buyer is restored as nearly as possible to its original condition. Buyer shall indemnify, defend and hold Seller and the Property free and harmless from all loss, damage or liability (including, without limitation, reasonable attorneys' fees, expert witness fees and all other costs of litigation) arising from the performance of all or any activities by Buyer, its agents and employees on the Property (after the Agreement Date and prior to the Close of Escrow), including from all mechanics', materialmens' and other liens resulting from any such conduct; provided that the foregoing indemnity shall not apply to: (i) the mere discovery of hazardous substance on the Property; (ii) a pre-existing latent defect in the Property; (iii) the spread of hazardous substance already present on the Property despite the use of reasonable care by Buyer; or (iv) the misconduct or negligence of Seller or its agents. Except as excluded in the preceding sentence, Buyer shall promptly repair and/or remedy any defects, damage or disruptions to the Real Property caused by any inspections, investigations and/or activities of Buyer. Buyer's obligations in the preceding sentence shall survive the Close of Escrow or termination of this Agreement.

B. Prior to Buyer entering the Property to conduct the survey, inspections and tests described above, Buyer shall obtain, maintain, and deliver to Seller evidence thereof, at Buyer's sole cost and expense, general liability insurance, from an insurer reasonably acceptable to Seller, in the amount of One Million Dollars and no cents (\$1,000,000.00) per occurrence and Two Million Dollars and no cents (\$2,000,000.00) in annual aggregate for personal injury and property damage per occurrence, such policies to name Seller as an additional insured party, which insurance shall provide coverage against any claim for personal liability or property damage caused by Buyer or its agents, employees or contractors in connection with such inspections and tests.

C. Seller further agrees to deliver to Buyer for inspection and copying within three (3) business days after the Effective Date any relevant building plans, work orders performed on the Property, soil analysis, topographic mapping, boundary surveys, transportation studies, air quality studies, environmental studies, government approvals, documentation regarding utility service, water, sewer, electric, gas and communication lines, and other documents related to the Property actually known to Seller and in the possession or control of Seller in order to assist Buyer's evaluation.

5.5 Termination. If Buyer, in its sole discretion, determines prior to the expiration of the Due Diligence Period that Buyer's intended use of the Property is not feasible for any reason whatsoever, or that Buyer, for any other reason or for no reason, elects not to purchase the Property, Buyer shall so notify Seller in writing and this Agreement shall be immediately terminated. If Buyer fails to so notify Seller of its election to terminate within the Due Diligence Period, Buyer shall be deemed to have waived its right to so terminate and Buyer shall be deemed to have elected to proceed with the Close of Escrow. If Buyer terminates this Agreement, neither Party shall have any further rights or obligations hereunder (except such obligations that survive termination of the Agreement according to its terms. Upon the earlier of the expiration of the Due Diligence Period, or Buyer terminating this Agreement as provided in Section 4.2, the Escrow Holder shall deliver the Deposit and all accrued interest thereon, less reasonable Escrow cancellation fees, to Seller. Thereafter, subject only to a default hereunder by Seller, the Deposit shall become non-refundable to Buyer and shall be retained by Seller in the event Buyer defaults under the terms of this Agreement or fails to consummate this transaction as outlined herein.

ARTICLE VI Representations and Warranties.

6.1 Seller's Representations and Warranties. Seller makes the following representations and warranties, and agrees to the following covenants and obligations for the benefit of Buyer:

A. Seller is and will be as of the Closing Date the sole owner of, and have insurable fee title to the Land, with due authorization to sell and convey the Property to Buyer and shall have and convey to Buyer at Closing insurable title to the Land free and clear of all liens and encumbrances other than the Permitted Exceptions.

B. To the best of Seller's knowledge without inquiry, there are no liens, claims, special assessments, assessment districts, other encumbrances, easements, encroachments, leases, contracts or other rights of any nature affecting the ownership, use of, or title to the Property, other than as set forth in the information to be provided to Buyer by Seller and the exceptions set forth in the Preliminary Title Report.

C. Between the Effective Date and the Closing Date, Seller shall maintain the Property in its present state of repair and in substantially the same condition as on the date hereof, and shall not enter into any lease, agreement of sale, option, or any other agreement or contract which would affect the Property, nor shall Seller grant any easements or further encumber the Property, without the prior written consent of Buyer, which shall not be unreasonably withheld;

D. To the best of Seller's knowledge, without inquiry, there are no pending annexations, condemnations, or other proceedings or litigation against or affecting any part of the Property and no such actions or proceedings are threatened.

E. No party other than Buyer has any right to acquire the Property (by contract, option, or otherwise) and neither the execution by it of this Agreement nor the

consummation of this sale will constitute a violation or breach by Seller of any contract or other instrument to which it is a party, or to which Seller is subject, or by which any of Seller's assets or properties may be affected, or any judgment, order, writ, injunction or decree issued against or imposed upon Seller; or will result in a violation of any applicable law, order, rule or regulation of any governmental authority.

F. Seller has no actual knowledge of the location and nature of any hazardous substances, underground storage activities, buried trash or foreign materials, disposal areas or other sites of this sort on the Property, whether these sites are visible from the surface of the land or not.

G. Seller is not, and will not be at the time of the Closing Date, a foreign person as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and agrees prior to the Closing Date to execute a non-foreign person affidavit.

H. The representations and warranties of Seller set forth in this Agreement shall be true on and as of the Closing Date as if those representations and warranties were made on and as of such time.

I. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transaction contemplated hereby;

J. All requisite action has been taken by Seller in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby, and any required consent of any partner, member, director, officer, shareholder, trustee, trustor, beneficiary, creditor, investor, judicial or administrative body, governmental authority or other party has been obtained as required;

K. The individual executing this Agreement and the instruments referenced herein on behalf of Seller has the legal power, right, and actual authority to bind Seller to the terms and conditions hereof and thereof;

L. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms; and

M. Seller has not incurred an obligation or liability, contingent or otherwise, for brokerage or finder's fees or agents' commissions or other similar payment in connection with this Agreement.

The representations and warranties of Seller in this Section 6.1 shall survive the Closing for eighteen (18) months.

6.2 Buyer's Representations and Warranties. Buyer makes the following representations and warranties for the benefit of Seller:

A. Buyer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein and to consummate the transaction contemplated hereby;

B. All requisite action has been taken by Buyer in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby, and any required consent of any partner, member, director, officer, shareholder, trustee, trustor, beneficiary, creditor, investor, judicial or administrative body, governmental authority or other Party has been obtained as required;

C. The individual executing this Agreement and the instruments referenced herein on behalf of Buyer has the legal power, right, and actual authority to bind Buyer to the terms and conditions hereof and thereof;

D. This Agreement and all documents required hereby to be executed by Buyer are and shall be valid, legally binding obligations of, and are enforceable against, Buyer in accordance with their terms; and

E. The representations and warranties of Buyer set forth in this Agreement shall be true on and as of the Closing Date as if those representations and warranties were made on and as of such time.

The representations and warranties of Buyer in this Section shall survive the Closing.

6.3 As-Is Sale. Buyer acknowledges and agrees that, except as expressly set forth herein, Seller makes no representations or warranties whatsoever, whether express or implied or arising by operation of law, with respect to the Property. BUYER AGREES THAT THE PROPERTY WILL BE SOLD AND CONVEYED TO (AND ACCEPTED BY) BUYER AT THE CLOSING IN ITS THEN EXISTING CONDITION, AS IS, WHERE IS, WITH ALL FAULTS, AND WITHOUT ANY WRITTEN OR ORAL REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, other than any representations and warranties of Seller expressly set forth in this Agreement. Without limiting the generality of the foregoing, except for the representations and warranties of Seller contained in this Agreement, the transactions contemplated by this Agreement are without statutory, express or implied warranty, representation, agreement, statement or expression of opinion of or with respect to the Property or any aspect thereof, including, without limitation, (i) any and all statutory, express or implied representations or warranties related to the suitability for a particular purpose and (ii) any statutory, express or implied representations or warranties created by any affirmation of fact or promise, by any description of the Property or by operation of law. Buyer acknowledges that Buyer has knowledge and expertise in financial and business matters that enable Buyer to evaluate the merits and risks of the transactions contemplated by this Agreement.

ARTICLE VII

Brokers.

Seller and Buyer each acknowledges, represents, and warrants to the other that no broker, finder or other intermediary has been hired or employed by it or is entitled to a commission, finder's fee or other compensation based upon the transaction contemplated hereby and each party shall indemnify and hold harmless the other party from and against any and all liens, demands, liabilities, causes of action, judgments, costs, claims, damages, suits, losses and

expenses, or any combination thereof, including attorneys' fees, of any nature, kind or description, caused by or arising out of the claim of any broker, finder or other intermediary alleging to have been employed or hired by the other party, to a commission, finder's fee or other compensation based upon the transactions contemplated hereby.

ARTICLE VIII
Post-Closing Obligations.

The following provision relate to Purchaser's and Seller's obligations post-Closing and in each case such obligations survive the Closing indefinitely.

8.1 Buyer Landscaping. The Buyer, at its sole expense, will be responsible for the landscape design and landscape plan for the Property. The landscape plan shall be consistent with the requirements of the Washoe County upon their approval of the water treatment plant to be constructed by Buyer on the Property. The landscape will be installed in conjunction with the development and construction of the water treatment plant facilities. Buyer shall develop the landscape plan for the Property in cooperation with Seller consistent with the project specifications and Washoe County requirements, and Buyer agrees to install at least \$50,000 of landscape improvements at Buyer's cost in connection with such landscape plan. Buyer shall submit the design, budget and engineer's cost estimates for the landscape plan to Seller for review and approval at least fifteen (15) business days prior to submittal for bid, such approval by Seller not to be unreasonably withheld, conditioned or delayed. Buyer shall only proceed to bid on landscape plans based on the design approved by Seller.

8.2 Utility Construction. Seller shall coordinate the design, construction and installation of utility facilities in Seller's development project with Buyer, and shall reasonably cooperate with Buyer, at no expense to Seller, to facilitate the coordinated design, construction, and installation of utilities or stubbing of utilities within Seller's development project and those necessary for Buyer's use on the Property acquired by Buyer. Buyer shall pay all costs and expenses associated with the installation, modification and stubbing of utilities required by Buyer.

ARTICLE IX
Miscellaneous Provisions.

9.1 Time is of the Essence. Time is of the essence of this Agreement.

9.2 Notice. All notices hereunder shall be in writing, and shall be deemed to have been given or made when actually received if sent by email, certified mail, postage prepaid, and return receipt requested, Federal Express (or other nationally recognized overnight delivery service), personal delivery by delivery service obtaining written confirmation of its deliveries, or facsimile transmission (followed by a hard copy sent by certified mail, personal delivery, or Federal Express), and will be directed as follows:

Seller:

TL Mt. Rose Estates, LP
3500 Douglas Blvd., Suite 270
Roseville, CA 95661
Attn: Richard Balestreri
Telephone: 916-787-3420
Email: rbalestreri@timlewis.com

To Title Company:

Western Title Company, Inc.
Attention: Don Allen
5390 Kietzke Lane
Reno, NV 89511
Telephone No.: 775-332-3100

Buyer:

Truckee Meadows Water Authority
Attn: General Manager
P.O. Box 30013
Reno, Nevada 89520
Email. mforee@tmwa.com

With a copy to Buyer's Legal Counsel:

McDonald Carano Wilson LLP
Attention: Michael Pagni
100 West Liberty Street, 10th Floor
Reno, NV 89501
Telephone No.: (775) 788-2000
Email: mpagni@mcdonaldcarano.com

Either Party may change its address by written notice to the other Party.

9.3 Eminent Domain. In the event of a taking or commencement of a taking or condemnation action by any governmental agency under any power of eminent domain, or a conveyance in lieu thereof (collectively, a "**Taking**") that affects any portion of the Property prior to the Closing Date, Buyer may, at Buyer's option, have the right to terminate this Agreement, in which event the Deposit and all accrued interest thereon shall be promptly refunded to Buyer. If Buyer elects not to terminate this Agreement in such case and if such Taking is finalized prior to the Closing Date, then the Purchase Price shall be reduced by the amount of any award, compensation or consideration paid or payable to Seller in connection with such Taking. If such Taking is not finalized prior to the Closing Date and Buyer elects not to terminate this Agreement, then the Purchase Price shall not be reduced on account of such Taking and the Closing Date shall not be extended, but Seller shall assign to Buyer all of its right

and interest in and to any award, compensation or consideration payable to Seller in connection with such Taking.

9.4 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of time for performance of any other obligation or act except those of the waiving party, which shall be extended by a period of time equal to the period of the delay.

9.5 Survival. All representations, agreements, warranties and covenants of the Parties set forth in this Agreement shall survive the Closing Date and shall not merge into the Deed.

9.6 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties hereto to whom this Agreement is assigned or who assume the obligations of the Parties under this Agreement.

9.7 Professional Fees. If either Party commences an action against the other to interpret or enforce any of the terms of this Agreement or because of the breach by the other Party of any of the terms hereof, the losing Party shall pay to the prevailing Party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action. For the purpose of this Agreement, the terms "attorneys' fees" or "costs and expenses" shall mean the fees and expenses of counsel to the Parties hereto, which may include printing, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals, librarians and others not admitted to the bar but performing services under the supervision of an attorney. The terms "attorneys' fees" or "attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, arbitration's and bankruptcy proceedings, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred. The term "attorney" shall have the same meaning as the term "counsel".

9.8 Entire Agreement. This Agreement (including all exhibits attached hereto) is the final expression of, and contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto.

9.9 Governing Law. The Parties hereto acknowledge that this Agreement has been negotiated and entered into in the State of Nevada. The Parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of Nevada and venue for any action shall be solely in state district court for Washoe County, Nevada.

9.10 Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Executed counterparts of this Agreement may be delivered by facsimile transmission and shall be effectively delivered upon the date such transmission is received by the other Party. Any Party delivering this Agreement by facsimile

shall also deliver an original "ink signed" copy of its signature page to the other Party in any manner described in Section 9.2 other than facsimile transmission on the next business day.

9.11 Days of Week. If any date for performance herein falls on a Saturday, Sunday or legal holiday, pursuant to the laws of the State of Nevada or United States, the time for such performance shall be extended to 5:00 p.m. on the next business day.

9.12 Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid, and shall be enforced to the fullest extent permitted by law.

9.13 Assignment. Buyer shall not have the right to assign this Agreement in whole or part.

9.14 Written Amendments. This Agreement may not be modified, amended, altered or changed in any respect whatsoever except by further agreement in writing, duly executed by both Parties. No oral statements or representations subsequent to the execution hereof by either Party are binding on the other Party, and neither Party shall have the right to rely on such oral statements or representations.

9.15 Future Cooperation. Each Party shall, at the request of the other, at any time, execute and deliver to the requesting Party all such further instruments as may be reasonably necessary or appropriate in order to effectuate the purpose and intent of this Agreement.

9.16 Use of Gender. As used in this Agreement, the masculine, feminine, or neuter gender, or the singular or plural number, shall each be considered to include the others whenever the context so indicates.

9.17 Agency; No Other Commissions. Except as specified herein, the Parties represent to each other that they have not used the services of any real estate broker or person who may claim a commission or finder's fee with respect to this transaction, and each agrees to indemnify, defend and hold the other harmless from broker compensation claims or finder's fees arising from allegations of an agreement with the indemnifying Party.

9.18 Interpretation. The Parties hereto acknowledge and agree that each has been given the opportunity to review this Agreement with legal counsel independently. The Parties have equal bargaining power and intend the plain meaning of the provisions herein. In the event of an ambiguity in or dispute regarding the interpretation of this Agreement, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty to exist, or against the draftsmen.

9.19 Headings. Headings used in this Agreement are used for reference purposes only and do not constitute substantive matter to be considered in construing the terms of this Agreement.

9.20 Third Party Beneficiary Rights. This Agreement is not intended to create, any third party beneficiary rights in any person not a party hereto.

9.21 Tax Free Exchange. Each Party shall have the right to consummate its sale and purchase, as applicable, of the Property through a tax deferred exchange in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended, and, at all times prior to the Closing Date, to deliver any additional instructions to the Title Company in connection therewith as such Party desires. The Title Company shall act upon any such reasonable instructions. Each Party shall reasonably cooperate with the other and shall execute and deliver any such future Escrow instructions, document, or instrument reasonably requested by the other Party or the Title Company in connection with such an exchange, provided that the same does not in any way: (i) delay the closing of the transactions contemplated by this Agreement; (ii) require either Party to take title to any other property in connection with such exchange; or (iii) require the cooperating Party to incur or assume any additional financial obligations, liabilities or expenses in connection therewith.

9.22 Buyer Default. If Buyer breaches any of its obligations under this Agreement and does not cure the same within a five (5) days following written notice from Seller, provided that Seller is not then in breach of any of its obligations under this Agreement and is ready, willing, and able to consummate the sale of the Property to Buyer in accordance with this Agreement, then Buyer shall be in default under this Agreement. In such case, Seller shall be entitled to terminate this Agreement and receive and retain the Deposit as liquidated damages. The Parties agree that said sum is fair and reasonable in light of all of the circumstances existing on the date of this Agreement, including the Parties' estimate of the possible range of damages to Seller in the event of a Buyer default under this Agreement. The Parties further agree that the damages to Seller in such case would be impossible to accurately determine and that proof of the amount of such damages would be costly and inconvenient. Conditioned upon Buyer's immediate and unconditional direction to the Escrow Holder to release the Deposit to Seller, such liquidated damages shall be Seller's sole and exclusive remedy in the case of any breach or default by Buyer under this Agreement, and Seller hereby waives, releases and relinquishes any and all other rights and remedies arising out of or on account thereof, whether at law, in equity, or otherwise.

9.23 Seller Default. If at any time Seller breaches any of its obligations under this Agreement and does not cure the same within five (5) days following written notice from Buyer, provided that Buyer is ready, willing and able to consummate the purchase of the Property from Seller and Buyer is not then in breach of any of its obligations under this Agreement, then Seller shall be in default under this Agreement. In such case, Buyer's sole remedies are, either to (i) terminate this Agreement by giving written notice to Seller, whereupon Escrow Holder shall return the Deposit to Buyer which return and reimbursement shall operate to release Seller from any and all liability hereunder, or (ii) to enforce specific performance of Seller's obligation to sell the Property to Buyer in accordance with this Agreement. Buyer expressly waives all rights to obtain damages in excess of the Deposit in the event of Seller's failure to close the sale of the Property hereunder other than such damages as may be recovered in an action for specific performance, including without limitation recovery of attorneys' fees. Buyer shall be deemed to have elected to terminate this Agreement and receive the return of the Deposit if Buyer fails to file suit for specific performance against Seller, in a court having jurisdiction in the county and

state in which the Property is located, within sixty (60) days following the date upon which Closing was to have occurred.

9.24 Effective Date. This Agreement will be in effect as of the date this Agreement is fully signed by the Parties hereto (the "**Effective Date**") following the approval by the Board of Directors of TMWA. Seller agrees that this Agreement shall be deemed an irrevocable offer by Seller for a period of sixty (60) days following Seller's execution below, but if not fully executed within that time period, then this Agreement shall be terminated. Buyer shall not have any rights or obligations under this Agreement until it is fully executed.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.

SELLER:

TL MT. ROSE ESTATES, L.P., a California
limited partnership

By: _____

Name: Jay Timothy LEWIS

Its: president of T.L. Management Inc.
its General PARTNER

BUYER:

TRUCKEE MEADOWS WATER AUTHORITY, a
joint powers authority

By: _____

Name: Mark Foree

Its: General Manager

ACKNOWLEDGMENT AND ACCEPTANCE

The undersigned Escrow Holder and Title Company accepts the foregoing Purchase and Sale Agreement with Joint Escrow Instructions and agrees to act as Escrow Holder and Title Company under this Agreement in strict accordance with its terms.

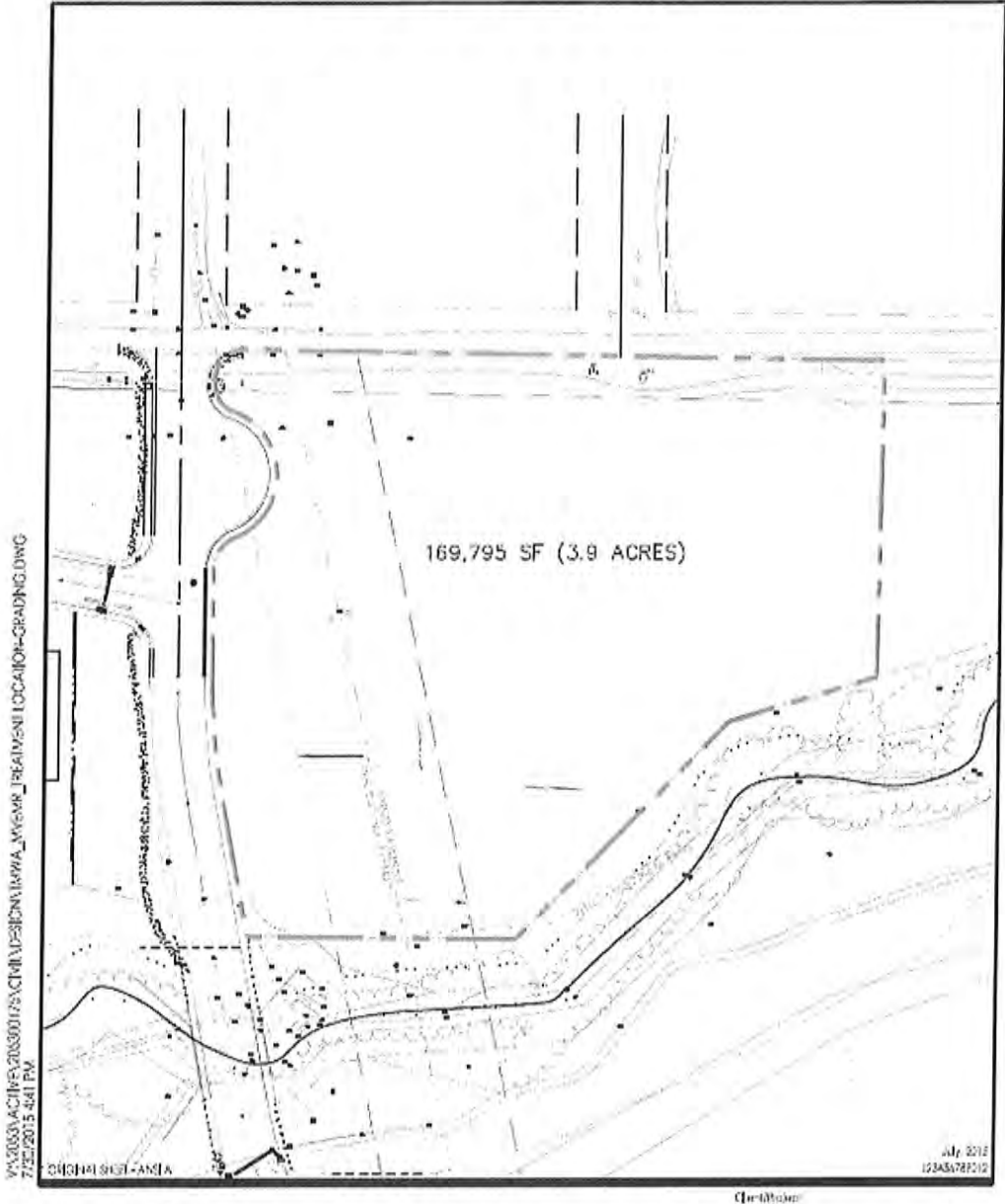
Western Title Company

By: _____
Don Allen

Its: _____

Date: _____

EXHIBIT A
ACQUISITION AREA MAP



Proposed Partial Fee Simple Acquisition Land Area

Monte Vista Open Space Land A.P.N.	Proposed Partial Acquisition Land Area	
	Acres	Square Feet
Portion of 150-460-05	3.9± Acres	169,795± SF

EXHIBIT B

A.P.N: _____ (a portion of)

After Recordation Return To
And Mail Tax Statements To:

The undersigned hereby affirms that this document, including any exhibits, submitted for recording does not contain the social security number of any person or persons. (Per NRS 239B.030)

GRANT, BARGAIN AND SALE DEED

THIS GRANT, BARGAIN AND SALE DEED, made and entered into this _____ day of _____, 2015, by and between TL MT. ROSE ESTATES, LP, a California limited partnership (hereinafter referred to as "Grantor") and TRUCKEE MEADOWS WATER AUTHORITY (hereinafter referred to as "Grantee").

WITNESSETH:

GRANTOR, for and in valuable consideration, receipt of which is hereby acknowledged, does hereby grant, bargain and sell unto Grantee, its successors and assigns forever, its right, title and interest in the real property, together with all tenements, hereditaments and appurtenances, including easements, if any, thereto belonging or appertaining, and any reservations, remainders, rents, issues or profits thereof, described in Exhibit "A" attached hereto and by this reference incorporated herein, but reserving unto Grantor therefrom all waters and water rights appurtenant thereto or used in connection therewith;

TO HAVE AND TO HOLD all and singular the said premises, granted together with the appurtenances, unto said Grantee, its successors, agents and assigns forever;

SUBJECT, HOWEVER, to the following:

1. General and special taxes and assessments for the current fiscal year and any an\or all unpaid bonds and/or assessments; and
2. All covenants, conditions, restrictions, reservations, rights, rights-of-way, easements, and other documents or instruments of record.

IN WITNESS WHEREOF, Grantor has caused these presents duly to be executed the day and year first above written.

GRANTOR:

TL MT. ROSE ESTATES, LP, a California limited partnership

By: _____

Name: _____

Title: _____

STATE OF _____)
) ss.
COUNTY OF _____)

This Agreement was acknowledged before me this _____ day of _____, 2015, by _____ as _____ of TL MT. ROSE ESTATES LP, a California limited partnership.

Notary Public



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
John Enloe, Operational Strategies Manager
John Erwin, Director of Natural Resources
Jeff Tissier, CFO
DATE: May 14, 2015
SUBJECT: **Second and Final Reading, Public Hearing and Possible Adoption of Resolution No. 229 to Amend TMWA's Rate Schedule Water System Facility Charges (WSF)**

RECOMMENDATION

Staff submits for Second Reading and adoption by resolution the proposed amendments to the TMWA Rate Schedule WSF to Modify Charge Area 14 and 15 Facility Charges and Boundaries. Proposed amendments are shown in the attached redline copies.

Possible Motion: "I move to adopt Resolution 229 and to amend TMWA's Rate Schedule WSF to Modify Charge Area 14 and 15 Facility Charges and Boundaries, to be effective upon the start of business day June 1, 2015."

BACKGROUND

During merger due diligence, TMWA identified that once the mergers with STMGID and Washoe County were complete, TMWA would need to develop programs to move surface water into and conjunctively manage surface and groundwater resources in the Mt. Rose/Galena Fan area to protect existing municipal groundwater supplies. The Mt. Rose/Galena Fan area is located in the southwest Truckee Meadows and is broken into two sub-areas: (1) the area in Pleasant Valley Hydrographic Basin 88, also referred to as the Arrowcreek/Mt. Rose Area ("Arrowcreek/Mt Rose") and (2) the southwest area in Truckee Meadows Hydrographic Basin 87, also referred to as the STMGID West/Thomas Creek area ("STMGID West"). TMWA Charge Area 14 encompasses portions of STMGID West/Thomas Creek and Arrowcreek/Mt. Rose. TMWA Charge Area 15 encompasses only portions of Arrowcreek/Mt. Rose. Each area has unique geology and hydrologic constraints and thus, two separate but necessary solutions are required to improve groundwater resource supplies in these areas.

Based on growth and other projections at the time, it was anticipated TMWA would have some time after the merger closing to refine and implement conjunctive use resource and facility planning in these areas. However, accelerated recovery in the housing markets combined with historic extended drought conditions have accelerated the need to implement such plans to mitigate impacts of future groundwater dedications while developing long term engineered solutions to replenish the aquifer. These plans include 1) identifying supplemental surface water dedication requirements; and 2) modifying capital improvement plans to develop water system facilities to move surface water resources into the fan area.

On December 31, 2014, the Truckee Meadows Water Authority acquired the water utility systems of the Washoe County Department of Water Resources (“DWR”) and the South Truckee Meadows General Improvement District (“STMGID”). The systems acquired include systems in the Mt. Rose/Galena Fan area in southwest Reno. As a result, TMWA is now the municipal purveyor with the authority to provide water service to new development in the Mt. Rose/Galena Fan.

The First Reading to amend TMWA Rate Schedule Water System Facility Charges (“WSF”) to modify Charge Area 14 and 15 Facility Charges and boundaries was presented for the Board’s consideration and discussion on April 15, 2015, at which time the amendment was approved for referral to a second reading. The proposed amendments are necessary to allocate costs of additional facilities identified by TMWA after completion of the merger which will be necessary to conjunctively manage and improve the sustainability of water supply in Charge Areas 14 and 15.

DISCUSSION

The Mt. Rose/Galena Fan is located in hydrographic basin 88 and the southwest corner of hydrographic basin 87. The area is generally located along the corridor of the Mt. Rose highway, and south of the highway into Pleasant Valley. In addition to the former municipal systems of DWR and STMGID, there are approximately 450 to 500 active domestic wells in Area 15 that rely on groundwater resources.

DWR and STMGID relied solely on groundwater to provide water supply in the Mt. Rose/Galena Fan area, providing water service through numerous municipal wells. Many of these rights came from the County’s acquisition of the Mt. Rose Utility system and various groundwater rights in the early 1990’s. Mt. Rose Service Company also assigned ownership of various water rights to private parties as well, so ownership of permitted groundwater rights are mixed between DWR (now TMWA) and private developers. On paper, TMWA now owns over 3,900 AF of groundwater permits issued by the State Engineer in Basin 88. Approximately 1,500 AF of groundwater permits remains uncommitted for future use.

The primary risk with any water right is whether a reliable supply of actual physical water exists year-in, year-out that can be diverted for the intended use. The critical question is not whether a person has a right on paper (i.e., in a permit) to water, it is whether the water claimed on paper actually exists. This is particularly true in groundwater basins where the amount of water stored in the aquifer continually declines year-over-year. If aquifers are over pumped and in continual

decline, wells eventually go dry, causing hardships on municipal and domestic well owners and threatening the sustainability of water supplies previously committed for service.

In the early 1990's, concern was expressed that the Mt. Rose/Galena Fan aquifer was being over pumped, causing continual decline in water levels year-over-year without evidence of recovery from the natural hydrologic cycle. In 1991, County modeling concluded that "pumping a total of 8,892 AFA of groundwater from the Mt Rose / Galena Fan area... results in over pumping of the aquifer system". See Preliminary Results of Groundwater Investigation, Technical Memo 4, pg 4-2 (Jan 25, 2002). The County developed the South Truckee Meadows Facility Plan, which concluded the Mt Rose/Galena Fan aquifer is over pumped and in need of supply augmentation in order to meet demands in the area,¹ reaffirming earlier County modeling efforts.

Based on analyses, studies and the history of groundwater levels in Area 15 and the southwest portion of Basin 87, water levels are declining and evidence indicates additional withdrawals of groundwater will exceed the perennial yield of the basin, causing continued declines in water levels in the aquifer. TMWA staff has determined that sufficient evidence exists to conclude that the number of permitted groundwater rights in Area 15 is greater than the amount of actual physical water than can be extracted on a sustainable basis without impairing TMWA water rights used to meet existing commitments or impairing existing domestic wells. These issues were identified by TMWA during the Merger due diligence. TMWA recognized that upon acquisition of the DWR and STMGID systems, TMWA would need to develop programs to move surface water into these systems and conjunctively manage surface and groundwater resources in the Mt. Rose Fan to protect existing municipal groundwater supplies. In fact, TMWA's unique ability to provide conjunctive use management (something neither STMGID nor DWR could do with their more limited assets) was one of the identified benefits in consolidating the systems. In anticipation of the groundwater issues, the TMWA Board adopted the County's Mt Rose / Galena Fan Domestic Well Mitigation Program to provide mitigation for domestic well owners suffering unreasonable adverse impacts from municipal well pumping. Additionally, prior to the completion of the merger TMWA staff began evaluating and developing strategies for financing and constructing infrastructure needed to move surface water resources into the Mt. Rose Fan area.

A. Southwest Truckee Meadows Conjunctive Use Facility Plan

In October 2014, the TMWA Board approved amendments to Schedule WSF that implemented applicable mechanisms to recover costs for infrastructure to serve growth in the STMGID and Washoe County water systems upon the close of merger. The collection of Facility Charges from new development is necessary to reimburse the utility for facility improvements required to meet the demands of new growth. Area Facility Charges, Supply and Treatment Facility Charges and Storage Facility Charges apply only to developers or applicants applying for new or expanded

¹ "A consensus was reached that it is likely that the municipal wells can reliably supply up to approximately 75% of the groundwater rights allocated to municipal wells in the STM, in addition to the demand placed on the aquifer by individual domestic wells." Technical Memo 8, Recommended Water and Wastewater Facility Plan, Pg 8-3 (June 28, 2002)

water service, and do not affect the costs or rates to serve existing customers. In other words, pursuant to prior Board direction on customer rates: growth pays for growth.

To begin the process to mitigate the potential shortfall in real water in this area, TMWA has identified the need for additional infrastructure and facilities to take advantage of Galena, Thomas and Whites Creek resources to improve the long-term viability and sustainability of water supplies in this region. In order to recover applicable costs from new development, TMWA staff is seeking Board approval of amendments to the Water System Facility charges imposed on new development in Charge Areas 14 and 15.

Since the merger, TMWA conducted pump tests at the Napoleon #1 & #2 Wells (formerly known as the Tessa East & West Wells). Based on the result of those pump tests, staff concluded that continued pumping of these wells at rated/design capacity cannot be sustained. The non-pumping static water level in these wells has declined about 80 feet in the last 10 years and average pumping levels are now 45 feet below the top of the well screen. The long-term reduction of pressure in water bearing strata can lead to dewatering and consolidation of the geologic formation and can result in irreversible damage to the aquifer. Approximately 1,450 gallons per minute (gpm) of maximum day supply has been committed from the Napoleon wells. However, staff is limiting the production from these two wells to 1,000 gpm total to reduce continued degradation of the basin. A similar conservative approach is recommended for equipping of the future Callamont wells. Clearly a supplemental source of supply is needed for the area.

The current groundwater situation has been aggravated by continued drought conditions, thus staff is accelerating plans to construct facilities to deliver conjunctive use surface water into the area. The resulting facility plan is slightly different than that used to develop the original developer fees approved in 2014. The current plan takes advantage of existing property and facilities with excess off-peak capacity to deliver surface water to the upper reaches of the Arrowcreek system to allow passive recharge to begin in much of Area 15 during the winter of 2015/2016. The plan is a phased approach and eventually will deliver surface water to the balance of Area 15, including the upper reaches of the Mt. Rose system. In addition, the current facility plan still includes a separate system to deliver conjunctive use surface water into the STMGID West zone (Area 14) with a proposed in-service date for these facilities in Fiscal Year 2017.

As a preliminary matter, TMWA recognizes that some of the facilities to implement conjunctive use on the Thomas Creek/Whites Creek and Galena Creek/Mt. Rose fans address an existing problem with supply to existing customers. As these facilities will benefit primarily existing customers, it is appropriate that the cost of these facilities should be paid by existing customers. TMWA identified the need to construct these facilities and improve supply to existing customers during merger due diligence, so as part of the merger requirements with STMGID TMWA identified and required the transfer of STMGID cash and assets to pay for the construction of these facilities. The costs of these facilities are not included in the Area 14 or Area 15 Facility Charges, and will not be paid by TMWA customers, but will be financed by treasury transferred to TMWA as part of the merger.

New facilities will also be required to implement conjunctive use for new development demands. Since new growth in Area 14 will be served by supply from TMWA's Truckee River Resource Area ("TMRA")², new development utilizing TMRA resources in Area 14 will pay the full TMWA Supply-Treatment Facility Charge to recover the costs for growth demands on Truckee River supply and treatment facilities.

In addition, TMWA has identified the need to construct a small treatment plant located above the Arrowcreek system to treat Whites Creek and Thomas Creek water to provide reliability of supply, avoid or reduce pumping costs and avoid major on-peak capacity improvements within the lower TMWA gravity system. The County's South Truckee Meadows Facility Plan recognized "The upper treatment plant is an integral component of the recommended water supply plan.... Most importantly; it will provide recharge water and/or offset winter groundwater pumping in the upper Mt Rose fan area".³ Although actual will-serve commitments will be made against groundwater dedications, it will take both groundwater and conjunctive use surface water to effectively realize the yield of the groundwater rights. As these facilities primarily benefit growth, the cost of the treatment plant and the additional creek rights to make it viable will be paid by growth in Area 15.

B. Southwest Truckee Meadows Conjunctive Use Water Resources

Sufficient evidence exists to conclude that the number of permitted groundwater rights in Area 15 is greater than the amount of actual physical water than can be extracted on a sustainable basis without impairing the use of TMWA permits to meet prior commitments and/or existing domestic wells. Accepting groundwater rights as the sole source of supply without some element of mitigation will expose TMWA and existing customers to potentially substantial additional financial risk, accelerate and increase the number of claims under the existing Domestic Well Mitigation Program, and/or degrade the aquifer before supply augmentation solutions can be implemented.

The success of the conjunctive use plan for the Mt Rose and STMGID areas requires additional surface water resources be delivered to the areas. The Area 15 charges include a resource supply component to enable TMWA to acquire supplemental surface water supplies when accepting groundwater dedications in Area 15. Supplemental surface water resources are a critical component of conjunctive resource management and are necessary to ensure a sustainable water supply for existing and new development in these basins. Requiring supplemental resources is similar in concept to requirements imposed by the County in Spanish Springs prior to the merger. In the event the Applicant is able to dedicate supplemental surface (creek) water supplies to TMWA which are acceptable to TMWA under Rule 7, the Area 15 charge would be reduced to offset the surface water resource component in the fee.

² As defined in Rule 7 the "Truckee Meadows Resource Area ("TMRA")" means the portion of TMWA's Service Area within which TMWA can accept for dedication any mainstem Truckee River water source/right that can be diverted at its Chalk Bluff or Glendale treatment plants.

³ Technical Memo 8, Recommended Water and Wastewater Facility Plan, Pg 8-14 (June 28, 2002)

C. Development of Proposed Fee Amendments for Areas 14 and 15

1. “Growth pays for growth”.

The City of Reno, City of Sparks and the County of Washoe formed a Joint Powers Authority (JPA) in December of 2000, pursuant to Chapter 277 of the NRS, with the purpose of acquiring the water assets of Sierra Pacific Resources (SPR). SPR decided to divest its water assets in a blind bid process, whereby potential bidders are unknown to each other and bone fide bids are confidential. The intent of the local governments was to preserve local control of the region’s water resources consistent with what existed historically.

On June 11, 2001, the water operations transitioned from SRP to TMWA. At the time of transition SRP looked to customer rates to support expansion of certain elements of the water system for new and expanded service, i.e. growth, which has a very specific meaning. Costs associated with feeder main improvements to serve new and expanded service was originally charged to “growth” by SRP but supply/treatment and storage costs related to new and expanded service were borne by customer rates including a rate of return on utility constructed improvements as approved by the Public Utilities Commission of Nevada.

Subsequent to TMWA assuming water system operations, staff proposed and the TMWA Board adopted Resolution 19 *Adopting a Financial Guidelines Policy* at the September 2001 board meeting. This policy is also referred to as the “non-cross-subsidization policy” which essentially declared that there would be no cross-subsidization between customer groups or classes. This policy had far reaching implications in that it clearly defined the concept that “growth pays for growth”. As a result, the funding responsibilities for supply/treatment and storage costs associated with new and expanded service transferred from existing customer rates to developers. These costs for feeder main, supply/treatment and storage facilities for growth are recovered from developers under TMWA’s WSF (Water System Facility) fees in TMWA’s rate schedules (and are also known as “Facility Charges” or “System Development Charges” in the industry). In September 2003 when customer rates were adjusted, the development community took responsibility for all costs assigned to new and expanded service and TMWA instituted the WSF fees that included feeder main fees. These fees have been periodically updated in fiscal years 2005; 2006; 2008 and 2013.

In October of 2014 in a merger related item, TMWA updated these WSF fees to include areas of service of the former Washoe County Water Utility and the South Truckee Meadows General Improvement District so that TMWA was prepared to collect WSF fees from growth in this area after the merger was completed. At that time the terminology for Feeder Main Area unit costs was changed to Area Facility unit costs. These fees are periodically updated as required and reviewed for adequacy and adherence to Resolution 19.

2. Funding sources available to implement the Arrow Creek and STMGID conjunctive use facilities, and the planned water treatment plant.

Transferred cash reserves from Washoe County (\$35.52 million) and STMGID (\$15.7 million) will be used to fund the conjunctive use projects which benefit existing customers. With respect to the Mt. Rose Surface Water Treatment Plant, Washoe County cash reserves will be used again to initially to fund the project in addition to any connection fees collected for this purpose up to the point of construction completion. Post construction, TMWA will seek reimbursement from supply/treatment connection fees to replenish the cash reserves used to construct this treatment facility.

3. Adapting the Capital Improvement Plan to post-merger conditions

The 2010-2030 Water Facility Plan Update was issued in July 2010 and subsequently approved by the Board in October 2010 (2010 WFP). The 2010 WFP provides a 20-year blueprint for orderly expansion of the water system to serve growth while maintaining adequate levels of water service for existing customers. The 2010 WFP utilizes the Maximum Day Demand projections produced by TMWA's Resource group to establish the timing and sizing of improvements to meet capacity requirements of the water system through the 20-year planning horizon. The 2010 WFP is typically updated every five years. TMWA's Capital Improvement Plan CIP is prepared and approved by the Board on an annual basis and reflects adjustments in the timing and scope of projects to reflect current conditions. The annual CIP can be described as a mini-WFP since it is a focused, five year look ahead at facility requirements.

The 2010 WFP did not contemplate a consolidation with the Washoe County and STMGID water systems. The facilities published in the 2010 WFP for the South Truckee Meadows (STM) Phase 1 and 2 were for distribution system improvements in TMWA's gravity system (and Longley pump zone) to provide up to 7,400 gallons per minute (GPM) and up to 11,650 GPM, respectively in wholesale water to the County in the STM. As is sometimes the case, the facilities were never constructed since the County decided to pursue other means of expanding the capacity of their water supply.

Due to dependence upon groundwater and the continued decline in water levels aggravated by the ongoing drought, it is necessary to provide a supplemental source of supply for the water systems located on the upper Mt. Rose and Galena fan areas as soon as possible. This is a current problem impacting existing customers. The Arrowcreek-Mt. Rose Conjunctive Use Facilities Phase 1 and 2 items in the current CIP will provide up to 1,500 GPM of off-peak supply for the upper fan areas to allow the TMWA production wells in Area 15 to rest during the winter season.

The Phase 1 facilities consist of three booster pump stations and about 3,600 feet of 10-inch pipe on Zolezzi Lane to deliver conjunctive use water to the Arrowcreek #3 Tank. Phase 2 improvements move some of the supply into the Mt. Rose, St. James and Galena Forest areas. Because the facilities do not require acquisition of private property, they can be

constructed relatively quickly, which is a major benefit to the plan. This supply plan should meet the off-peak demand of existing (plus committed) customers but will not provide additional on-peak capacity for growth in Area 15.

Approved tentative maps in Area 15 include:

• Sierra Reflections	938 units
• Terrasante (Callamont)	210 units
• Mt. Rose Estates	23 units
Total	1,171 units

The estimated maximum day demand for these potential future single family residential units is about 1,557 GPM. In comparison, the estimated maximum day demand for existing plus committed customers in Area 15 is about 4,680 GPM. To provide reliability for existing customers and additional capacity to serve the approved development in Area 15, a two million gallon per day (2 MGD; 1,400 GPM nominal capacity) water treatment plant is proposed for treating creek water from Whites Creek and Thomas Creek. This “wet” surface water capacity will augment the 1,500 acre-feet of local basin groundwater rights that were banked by Washoe County as “acceptable resources” to meet future residential project dedication requirements.

An alternative analysis indicated that this plan is the overall least cost option for increasing the supply to Area 15, ranking highly from both a lower operating cost and also from a capital cost perspective. It is proposed that a suitable site for the treatment plant be acquired and permitted as soon as possible to allow time to perform a more detailed analysis of potential growth and development to be completed prior to initiating construction of the facilities.

The STMGID Conjunctive Use Facilities item in the CIP will provide a conjunctive use supply for Area 14 which consists primarily of the former STMGID customers in the western portion of STMGID. Very little future growth is anticipated in Area 14 and the facilities are proposed to benefit existing customers by preserving the existing groundwater supply. The system consists of a new booster pump station to be located on the reclaim water reservoir site off of Arrowcreek Parkway and about 8,100 feet of 10-inch pipe on Arrowcreek Parkway to deliver about 1,000 GPM of off-peak supply to the STMGID Tank 4 and Tank 5 zones.

Looking beyond the tentative maps listed above, there may be an additional 1,600 acres of developable land in and adjacent to Area 15. In the future, if overall supply capacity to the Double Diamond area is increased sufficiently, a relatively moderate oversizing of these facilities (14” pipeline, slightly bigger pumps/motors) could provide up to 2,500 GPM of on-peak supply for growth on the upper fan area if a development were to pay the direct costs of extending facilities from the STMGID Tank 4/5 zone. The decision to oversize this pipeline and provide additional capacity to serve future development will be made at a later date.

In summary, immediate construction of the facilities to implement conjunctive use should provide a measure of reliability for existing customers by mitigating the continued decline of

groundwater levels in the area; and the development of supplemental surface water supplies and dedication requirements will provide for the long-term solvency of existing local groundwater rights.

4. Water resource planning to meet objectives of the Regional Plan / Forest Area Plan.

In the early 1990's, concern was expressed that the Mt. Rose/Galena Fan aquifer was being over pumped, causing continual decline in water levels year-over-year without evidence of recovery from the natural hydrologic cycle. In 1991, County modeling concluded that "pumping a total of 8,892 AFA of groundwater from the Mt Rose / Galena Fan area... results in over pumping of the aquifer system". In 2002, the County adopted the South Truckee Meadows Facility Plan, which also concluded the Mt Rose/Galena Fan aquifer is over pumped and in need of supply augmentation in order to meet demands in the area.

TMWA recognized that upon acquisition of the DWR and STMGID systems, TMWA would need to implement plans to move surface water into these systems and conjunctively manage surface and groundwater resources in the Mt. Rose Fan to protect existing municipal groundwater supplies. TMWA's unique ability to provide conjunctive use management (something neither STMGID nor DWR could do with their more limited assets) was one of the identified benefits in consolidating the systems.

Subsequent to the merger, TMWA staff determined that sufficient evidence exists to conclude that the number of permitted groundwater rights in Area 15 is greater than the amount of actual physical water that can be extracted on a sustainable basis without impairing TMWA water rights used to meet existing commitments or impairing existing domestic wells. Although actual will-serve commitments will be made against groundwater dedications, it will take both groundwater and supplemental surface water (creeks) rights to effectively realize the yield of the groundwater rights to ensure a sustainable water supply for existing and new development in these basins.

Surface water from local creeks, historically used for agricultural irrigation, has long been part of the regional water resources mix for the South Truckee Meadows. In addition to creek water rights dedicated for return flow purposes and used to augment the STMWRF reclaimed water supply, over 1,900 acre feet of creek water rights have been approved by State Engineer for will-serve commitments. Will-serve commitments have been issued against these creek rights since 2010. Furthermore, continued conversion of the creek water resources in the South Truckee Meadows to municipal use will not negatively impact TMWRF operations (personal communication, Mike Drinkwater, TMWRF Plant Manager).

The County's South Truckee Meadows Facility Plan recognized "The upper treatment plant is an integral component of the recommended water supply plan.... Most importantly; it will provide recharge water and/or offset winter groundwater pumping in the upper Mt Rose fan area". TMWA's plan to develop a small water treatment facility for this purpose is consistent with the Facility Plan, as well as Washoe County's Forest Area Plan, quoted below:

“Water Resources – Supply

Goal Seventeen: Water resources will be supplied to land uses in the Forest planning area according to the best principles/practices of sustainable resource development. Because all existing residences are supplied by groundwater wells, future development must be constrained to the sustainable groundwater yield of the basins in the planning area, and minimize pumping impacts to domestic wells. Whenever possible, future water supply systems will be designed to lessen the burden on existing municipal and domestic wells.”

The proposed amendments to TMWA Rate Schedule Water System Facility Charges are also consistent with goals of the Regional Plan. The Regional Plan includes goals and policies to promote a Regional Form which encourages development within Transit Oriented Development Corridors and Regional Centers. As a water purveyor that responds to approved development, TMWA does not promote or encourage development in one location versus another. *When, where and what type* of growth should occur is solely within the land use entitlement and planning functions of cities, counties and regional planning agencies. By contrast, water supply planning is designed to provide for *the ability* to deliver safe and reliable water supplies through engineering solutions and project design, if and when land use entitlements are granted. Under the Cooperative Agreement, TMWA is obligated to provide retail water service to users in its service area, which it can only do by identifying and planning for water service needs within its retail and planning service areas. TMWA’s integrated planning processes ensures the long-term resource, facility and funding mechanisms are in place to meet current and future demand conditions. TMWA notes that the recommended WSF charge for the proposed Area 15 (a portion of the Washoe County TMSA) is \$12,568 compared to \$5,096 for the Central Reno Charge Area, demonstrating financial incentives for developing in the urban core consistent with the regional planning goals.

SUMMARY

TMWA is now the municipal purveyor with authority to issue will-serve commitments in Areas 14 and 15. As described above, analysis by TMWA of the groundwater conditions in Areas 14 and 15 concurs with prior analyses that additional water resources are needed in the Mt Rose area. TWMA has developed plans to conjunctively manage surface and groundwater resources in the Mt. Rose Fan to protect existing municipal groundwater supplies. Growth and development demands in Areas 14 and 15 as well as historic extended drought conditions have accelerated the need to implement a plan to mitigate impacts of groundwater dedications while long term engineered solutions to replenish the aquifer are explored. Supplemental surface water resources are a critical component of conjunctive resource management and providing for a sustainable water supply for existing and new development in this basin.

The proposed amendments to the Area 14 and 15 fees are shown in the attached red-line version of Rate Schedule WSF. Area Facility Charges are applied on a geographic basis and are based on the cost to expand the capacity of the water system in specific areas where growth is anticipated to occur. The proposed changes include modified boundaries between Areas 14 and 15 to better reflect actual operational pressure zones and the actual areas benefiting from the facilities.

As part of the public process associated with amending TMWA's rates or fees, TMWA conducted a public workshop on Monday evening, April 13, 2015. A First Reading and public hearing of the amendments was heard by the Board at its April 15, 2015 meeting. TMWA also conducted a presentation on this subject to BANN's Infrastructure & Planning Committee on April 23, 2015. As of this writing, staff has not received any written comments on the proposed amendments.

Staff recommends the Board adopt Resolution 229 and to amend TMWA's Rate Schedule WSF to Modify Charge Area 14 and 15 Facility Charges and Boundaries, to be effective upon the start of business day June 1, 2015.

Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant
Table 1 – Summary of Potential WTP Sites

Block - A				
APN	Owner	Acreage	Zoning	Comments
049-060-11	United States Of America (USFS)	5.0	HDR	
049-060-08	United States Of America (USFS)	2.5	HDR	
049-060-09	United States Of America (USFS)	5.0	HDR	
049-060-10	United States Of America (USFS)	5.0	HDR	
049-060-12	United States Of America (USFS)	5.0	HDR	
049-060-15	United States Of America (USFS)	5.0	HDR	
049-060-13	United States Of America (USFS)	5.0	HDR	
049-060-14	United States Of America (USFS)	5.0	HDR	
Block - B				
APN	Owner	Acreage	Zoning	Comments
152-430-15	Washoe County	251.0	OS	Portion of parcel
Block - C				
APN	Owner	Acreage	Zoning	Comments
150-260-16	United States Of America (USFS)	5.0	HDR	
150-260-31	United States Of America (USFS)	5.0	HDR	
150-260-32	United States Of America (USFS)	5.0	HDR	
150-260-40	United States Of America (USFS)	5.0	HDR	
150-260-39	United States Of America (USFS)	5.0	HDR	
150-260-38	United States Of America (USFS)	5.0	HDR	
Block - D				
APN	Owner	Acreage	Zoning	Comments
		3.9		
150-460-05	TL Mt. Rose Estates LP	(of 6.65)	Not Defined	Assumed to be HDR or OS
Block - E				
APN	Owner	Acreage	Zoning	Comments
150-250-17	United States Of America (USFS)	5.0	HDR	
150-250-40	United States Of America (USFS)	5.0	HDR	
150-250-24	United States Of America (USFS)	5.0	HDR	
150-250-26	United States Of America (USFS)	5.0	HDR	
150-250-25	United States Of America (USFS)	5.0	HDR	
Block - F				
APN	Owner	Acreage	Zoning	Comments
152-430-18	Washoe County	85.4	OS	Portion of parcel
Block - G				
APN	Owner	Acreage	Zoning	Comments
049-040-07	United States Of America (USFS)	5.0	HDR	
049-040-04	United States Of America (USFS)	5.0	Not Defined	Assumed to be HDR
049-040-05	United States Of America (USFS)	5.0	Not Defined	Assumed to be HDR

Notes: HDR is High Density Rural and OS is Open Space

Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

LAND USE AND ZONING CONSIDERATIONS

The current zoning designations for the potential WTP sites are HDR and OS, as noted in Table 1. In accordance with Washoe County Code (Chapter 110, Division 3, Section 110.302.05), properties zoned OS and HDR may be developed for civic uses if granted a Board of Adjustment Special Use Permit. To qualify for the permit, the proposed use must be defined as a Utility Service and not a Major Public Facility. The definitions for these two uses are as follows (taken from County Code):

Utility Services. Utility services use type refers to the provision of electricity, water or other liquids, or gas, through wires, pipes or ditches through utility services involving major structures that have flexibility in location. Typical uses include natural gas transmission lines and substations, petroleum pipelines, and irrigation water ditches.

Major Public Facilities. Major public facilities use type refers to public facilities that provide a significant service and have a substantial impact on the community. Typical uses are sanitary landfills, airports, and detention and correction facilities.

According to personal communications with Mr. Trevor Lloyd, Sr. Planner, the effect of the WTP and diversions would not rise to the level of a Major Public Facility and therefore the WTP and diversions would be defined as a Utility Services use. Therefore, development of the WTP on the parcels listed in Table 1 is allowable through the issuance of a Board of Adjustment Special Use Permit. The Special Use Permit process includes public notifications and a public hearing. The issuance of a Special Use Permit may take three months from the time of application and may include requirements for supplemental standards and development criteria.

LAND AQUISITION

The Table 1 parcels are owned by three entities, USFS, Washoe County, and TL Mt. Rose Estates, LP. A discussion of the known issues regarding the acquisition of property from each of these entities is provided below.

USFS:

None of the preferred parcels are shown on the USFS's list parcels to be disposed (or sold). However, 36 Code of Federal Regulations Part 254, Subparts B & C provide the USFS the authority to sell or exchange property under certain circumstances. As noted in the regulations, the purpose is as follows:

§254.20 Purpose and scope.

(a) A Forest Service official may, upon application, set aside and designate for townsite purposes up to 640 acres of National Forest System lands adjacent to or contiguous to an established community in Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

(b) National Forest System lands, needed by a community, may be sold under the Townsite Act, for fair market value if those lands would serve indigenous community objectives that outweigh the public objectives and values of retaining the lands in Federal ownership. Indigenous community objectives may include space for housing and for service industries, expansion of existing economic enterprises, new industries utilizing local resources and skills, public schools, public health facilities, community parks, and other recreation areas for local citizens, but would exclude such uses as

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commercial enterprises or new industries and housing projects that would change the character of the local community.

§254.30 Purpose.

These regulations set forth procedures by which the Secretary of Agriculture may resolve land disputes and management problems pursuant to Pub. L. 97-465, commonly called the Small Tracts Act, by conveying, through sale, exchange, or interchange, three categories of tracts of land: Parcels encroached on, road rights-of-way, and mineral survey fractions. Implementation of these regulations does not constitute authorization of nor consent to adverse possession against lands administered by the Secretary of Agriculture.

The acquisition of property for the development of a water treatment plant would appear to be consistent with the intent of Part (b) above and the USFS may have the authority to sell or enter into a land exchange agreement. Formal negotiations with the USFS are needed to further define feasibility, the process, and time line for any land transfer.

Washoe County:

The Washoe County parcels are managed by the Community Services Department (CSD). While further evaluation is needed to determine whether CSD-managed parcels could be parceled and the land purchased, the CSD has expressed a willingness to consider granting permanent and exclusive easements for the WTP and diversions. Further discussion with Washoe County CSD would be needed to define the terms and conditions and the timeline for obtaining such easements.

TL Mt. Rose Estates, LP:

TMWA recently engaged in discussions to provide water to the proposed Monte Vista at Mt. Rose Estates subdivision. During the discussions, the possibility of siting the WTP on the east end property in an area to be used for open space was discussed. There was general agreement between TMWA and the owners that an approximately 3.9-acre parcel (Block D on Figure 2) could potentially be created out of the larger 6.65-acre parcel through a parcel map waiver process and purchased by TMWA.

INITIAL ASSESSMENT OF WTP SITES

An initial assessment of the seven blocks of land was performed to identify the most suitable locations warranting further consideration. The assessment consisted of reviewing **the blocks' relative proximity to** existing infrastructure, topography, elevation, site access, view shed impacts, potential pipeline alignment needs, and proximity to sensitive locations (riparian habitat, houses, etc.). Figure 1 shows the creeks and the existing water, sewer, and roadway infrastructure in the vicinity of the potential WTP sites being considered.

An initial assessment identified Blocks A, B, C, and D as the most viable locations and warranting further consideration. Blocks E, F, G, and H were identified as not warranting further consideration for the reasons discussed below.

Block E: This group of parcels is low in elevation and would require a significant pumping head (in excess of 200 pounds per square inch [PSI]) to reach the ArrowCreek Tank 3 pressure zone. The vehicle access road would be fairly long and subject to local traffic. Due to the nature of the access easements prescribed for the Government Lots, TMWA would likely be responsible for all future road maintenance. The WTP would be in close proximity to several existing homes, and the site would be challenging to mitigate visual impacts.

Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Block F: Access to this location would be difficult and require a long access road. This location would require a **long raw water main to White's Creek** that would cross numerous privately held properties, although public utility easements are available. This site is low in elevation and would require a significant pumping head (in excess of 200 PSI) to reach the ArrowCreek Tank 3 pressure zone. The WTP would be in close proximity to several existing homes, and the site would be challenging to mitigate visual impacts.

Block G: Access to this group of parcels would be difficult and requiring a long access road through the Government Lots or from Timberline Road. Roadway maintenance would be significant. The WTP would be in close proximity to several existing homes, and the site would be challenging to mitigate visual impacts.

POTENTIAL DIVERSION LOCATIONS AND ALIGNMENTS

TM1 provided a discussion on creek diversion design criteria. As developed in TM1, critical factors that need to be considered when identifying potential diversion sites include:

- Diversion Type (infiltration gallery or screened intake)
- Vehicle Access
- Flow Condition (gravity or pumped)
- Length of Pipeline
- Easement Requirements
- Head Loss Requirements (gravity flow)
- Pumping Head Requirement (pumped system)

Pumped intakes can be located at the most convenient location relative to the WTP, but should strive to **minimize total pipe length, easement requirements, low spots ("bellies"), and pumping head**. Gravity fed diversions have more constraints on their locations and need to be sufficiently up gradient of the WTP to maintain desired flow conditions in the pipeline, but should also strive to minimize total pipe length, easement requirements, and bellies. In addition, each diversion location will need to accommodate the specific structural and mechanical needs of the diversion. An infiltration gallery-type of diversion will require a collector pipe with a total length, depending upon peak diversion rate, of 400 to 600 feet (if multiple collector pipes are used, the overall length can be divided by the number of collector pipes). A screened intake diversion will need to accommodate a deflector or diversion structure used to provide sufficient backwater to flood the intake screen and any fish passage equipment.

Applying these criteria, the creeks were assessed for potential diversion sites for a WTP constructed at Blocks A, B, C, and D. Potential diversion locations were identified for both gravity fed and pumped systems and are shown on Figures 3 through 6. Preliminary raw water line alignments for each diversion alternative were identified, based on a cursory review of available topographic data and assuming no easement restrictions or constraints. The raw water alignments were based on limited data and are intended only to assess the feasibility of the considered diversion locations. A detailed engineering design based on survey data and property constraints will be needed to establish any final alignment.

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Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

EVALUATION OF PREFERRED WTP SITES

To select the most appropriate alternative from the four preferred WTP sites, the alternatives can be evaluated and ranked with regard to evaluation criteria. Critical and relevant evaluation criteria identified for this project include the following:

- Land Acquisition
- Raw and Treated Water Line Lengths
- Raw and Treated Water Line Easement Needs
- Treated Water Pumping Requirements
- Site Access
- Proximity to Existing Development
- Expected Public Acceptance

These evaluation criteria are used to compare the alternative WTP locations and rank each alternative relative to the others. A weighting factor is then applied to each evaluation criterion to assign its level of importance. The evaluation criteria and a brief discussion of the alternatives are provided below.

Land Acquisition: This criterion is used to describe the complexity and length of time required to purchase the property or easements needed to construct the WTP. Blocks A and C are owned by the USFS and it could take a minimum of one year and likely two years or more to acquire. Correspondence with the Landownership Adjustments Department of the USFS indicated that the identified parcels have important resource values. There has been significant interest in these parcels over the years from a variety of entities and private citizens. Land exchanges are very expensive, take many years to complete, with substantial costs borne by the exchange proponent. Further, land exchanges are discretionary federal actions, and the exchange proposal must clearly demonstrate a benefit to the public. When considering any land exchange proposal, foremost is protection of important resource values on the federal land.

Block B is owned by Washoe County and an easement could possibly be obtained in less than one year. However, for the WTP, TMWA prefers to own the property and not have an easement. An initial property search was conducted by Washoe County Community Services Department, and nothing restrictive was found in the deed. A preliminary title report would need to be performed to pursue this location. The Parkland Easement Policy and Procedures would be in effect, and an application would be required to initiate the process. The County anticipates some challenges relative to the view shed/open space aspect of the site.

The owners of Block D have indicated a willingness to sell the parcel and acquisition could be achieved in six to nine months.

Raw and Treated Water Line Lengths: The total combined length of water line is a surrogate for construction cost. To apply this criterion to the alternatives, it was assumed the diversions would be pumped diversions, which result in the shortest raw water lines. **Proximity to White's Creek is given a higher ranking than Thomas Creek due to the relative flow rate of the two creeks and the number of creek water rights under TMWA's control.**

Raw and Treated Water Line Easement Needs: This criterion describes the number and complexity of the easements needed for the raw and treated water lines. Based on discussions with the developers of the proposed Monte Vista at Mount Rose Estates, an 8-inch water will be extended through the subdivision that can be used by Blocks C and D, shortening the required length of treated water line.

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Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Treated Water Pumping Requirements: The pumping requirements (head) will have a significant effect on the WTP design and on-going power costs and maintenance. As such, this criterion is an important consideration for on-going operations costs.

Site Access: The site access criterion is a composite of the total length of access road and the anticipated maintenance requirements. Where an access road is required over Government Lots or other easements, it is assumed the road would be improved by the WTP project and TMWA would assume the long-term roadway maintenance. It is assumed there would be no required improvements to Timberline or Callahan Road, or for their maintenance.

Visibility to Existing Development: This criterion takes into consideration the visibility or prominence of the WTP relative to existing development. This criterion also accounts for the distance to and the density of the nearest developments.

Expected Public Acceptance: This criterion is based on a subjective evaluation of the **public's perspective and** anticipated acceptance of each alternative location. This criterion may consider such factors as proximity or impact upon sensitive areas (view sheds, creeks, parks, trails, open spaces, etc.), effect of added traffic, and other non-quantifiable aspects.

To rank the alternative locations certain information regarding each location is necessary. Table 2 below provides estimates **of each block's elevation**, distance to the water system point of connection, WTP pumping head, distance to creek diversions (gravity fed and pumped diversion), distance to the nearest sewer collection system; and site access needs and issues.

Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Table 2 – Summary of WTP Site Alternatives

Block ID	Approx. Site Elevation (ft.)	Approx. Distance to Water System Point of Connection (ft.)	Estimated Pumping Head - AC Tank 3 (PSI)	Approx. Distance to Whites' Cr. Diversion (ft.)		Approx. Distance to Thomas Cr. Diversion (ft.)		Approx. Distance to Nearest Sewer System (ft.)	Approx. Distance to Nearest Distribution Power (ft.)	Site Access	Approx. Minimum Length of Road Improvements (ft.)
				Gravity	Pumped	Gravity	Pumped				
A	5860	2,100	40	8,600	1,000	3,000	2,100	1,700	1,000	Via Timberline Rd. and Painted Trail. Painted Trail will need to be improved.	1,600
B	5890	100	20	10,000	4,700	1,800	800	1,500	1,500	Via ArrowCreek Tank 3 access road (through ArrowCreek Subdivision). Will require improvements to existing access road.	1,700
C	5660	500	130	3,600	2,200	5,200	1,700	1,800	500	Via Callahan Road, north from SR 431 and Mountain Ranch Rd. (Gov't Lots). Will require road improvements to Mountain Ranch Rd.	1,250
D	5570	500	170	4,400	350	6,500	3,800	500	300	Via Callahan Road, north from SR 431.	0

Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Using the information provided in Table 2, information obtained during site visits, and from professional judgement, the alternative locations were ranked for each evaluation criterion and a weighting factor assigned to each evaluation criterion. The results of the ranking are provided in Table 3. The most preferred alternative received a “1” and the least preferred received a “4”. Where there was no clear preference between two alternatives, both alternatives received the same ranking. The alternative with the overall lowest total weighted score is the preferred alternative.

Table 3 – Alternative Location Rankings (Lowest Score is Best)

Criterion	Weighting Factor	Block A		Block B		Block C		Block D	
		Rank	Weighted Score	Rank	Weighted Score	Rank	Weighted Score	Rank	Weighted Score
Land Acquisition	10	4	40	3	30	4	40	1	10
Raw/Treated Water Line Length	8	2	16	4	32	3	24	1	8
Raw/Treated Water Line Easement Needs	2	3	6	4	8	2	4	1	2
Treated Water Pumping Requirements	5	1	5	1	5	3	15	4	20
Site Access	7	3	21	4	28	2	14	1	7
Proximity to Existing Development	10	1	10	3	30	4	40	2	20
Expected Public Acceptance	10	2	20	4	40	3	30	2	20
Total Weighted Score*			118		173		167		87

*The alternative with the lowest total weighted score is the highest ranked alternative.

Block D ranked highest in more categories than any other alternative and received the lowest overall weighted score. **The site is in close proximity to White’s Creek and** existing utilities (water, sewer, power and gas), has excellent access, and the property owner expressed an interest in selling the land. As with all of the alternative sites considered, Block D is relatively close to existing residential development. However, the site is in a depression, and the topography may be used to lower the relative height of the WTP and lessen the visual impact of the facility to the nearby residents. Therefore, Block B is the preferred location.

PERMITTING REQUIREMENTS

The project will require a number of permits. Some permits may include a lengthy process or affect the design and nature of the project. It is helpful to understand the permit requirements early in the overall project so that the permitting process can be implemented as early as possible and any permit requirements incorporated into the project. Further, it is possible that a required permit would not be issued for the project or for a given location. It is important to identify these permits as possible impediments to the project.

Permits required for the project generally fall into two groups, entitlement or environmental related permits (Special Use Permit, parcel map waiver, Fish and Wildlife Consultation, Section 404, water right change applications, etc.) and building permits.

The following is a discussion of the entitlement and environmental permits/requirements anticipated for the project. These permits should be sought early in the project because of their potential to impede the project or to dramatically affect design elements.

November 6, 2015

John Enloe, P.E.

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Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Special Use Permit: A Special Use Permit (SUP) will be needed to construct the WTP and the diversions. The SUP application is submitted to Washoe County and reviewed by the Board of Adjustment at a public hearing. **The project proposal will also require public notification and be presented at Washoe County's South Truckee Meadows Citizen Advisory Board (CAB) to respond to the public's questions** and gather public comments. If issued, the SUP may include requirements for supplemental standards and development criteria. These may include certain landscaping requirements, building height restrictions, building size limitations, noise restrictions, and other requirements that would affect the design process. Significant elements of the SUP application include a landscape plan, site plan, lighting plan, and building elevations.

Environmental Assessment (EA): Depending upon the selected locations, the WTP and diversions may require the completion of an EA, particularly if the project involves any federally owned lands. The purpose of an EA is to determine whether or not a full Environmental Impact Statement (EIS) is necessary. The EA will require clearance from the State Historical Preservation Office (SHPO) and consultation with the US Fish and Wildlife Service. **Findings of EA's include Categorical Exclusions (CE), Finding of No Significant Impact (FONSI), or recommendation for an EIS.** If an EA is required, the proposed project would most likely not qualify for a CE, but likely be eligible for a FONSI.

Temporary Working in Waterways Permit: The Nevada Division of Environmental Protection issues permits to authorize construction activities in waterways. The construction of the diversions will require a permit. The permits typically require the implementation of Best Management Practices and water quality monitoring to minimize any impacts to water quality. The permit may also include project timing requirements that restrict construction activities to low flow periods.

Section 404 Permit: Section 404 of the Clean Water Act regulates the discharge of dredged or fill material into waters of the United States. The U.S. Army Corps of Engineers is charged with the administration and issuance of Section 404 permits. Construction of a diversion **on White's Creek or Thomas Creek** will require a Section 404 permit. **There are "nationwide permits" for certain types of projects that would facilitate the permitting process;** however, the diversions will not likely qualify for these permits. **The first step in the permitting process is to attend a "Pre-Construction Meeting" with the U.S. Army Corps of Engineer** and present the project needs and a preliminary design concept. The meeting will be used to refine design criteria and constraints.

Section 401 Water Quality Certification: Any activity that triggers a Federal Section 404 permit usually triggers a requirement for a State Water Quality Certification (401 Permit). Certification is based on a finding that the proposed Section 404 discharge will comply with all pertinent water quality standards. In order to allow certification, special conditions may be required by the State in order to remove or mitigate potential impacts to water quality. Such conditions must ultimately be included in the Federal Section 404 permit.

Water Right Change Applications: TMWA will need to file **change applications with the State Engineer's Office to change the point of diversion for the water rights held on White's and Thomas Creeks** to the location of the new diversions. The change application process includes a public notification and comment or protests are possible.

The following is a discussion of the permits needed after the design phase, but prior to construction.

Water Project: The plans and specifications will need to be submitted to the Washoe County District Health Department for review and approval. A new water treatment plant may require a significant review and the District may involve the Nevada Division of Environmental Protection, Bureau of Safe Drinking Water in the review process.

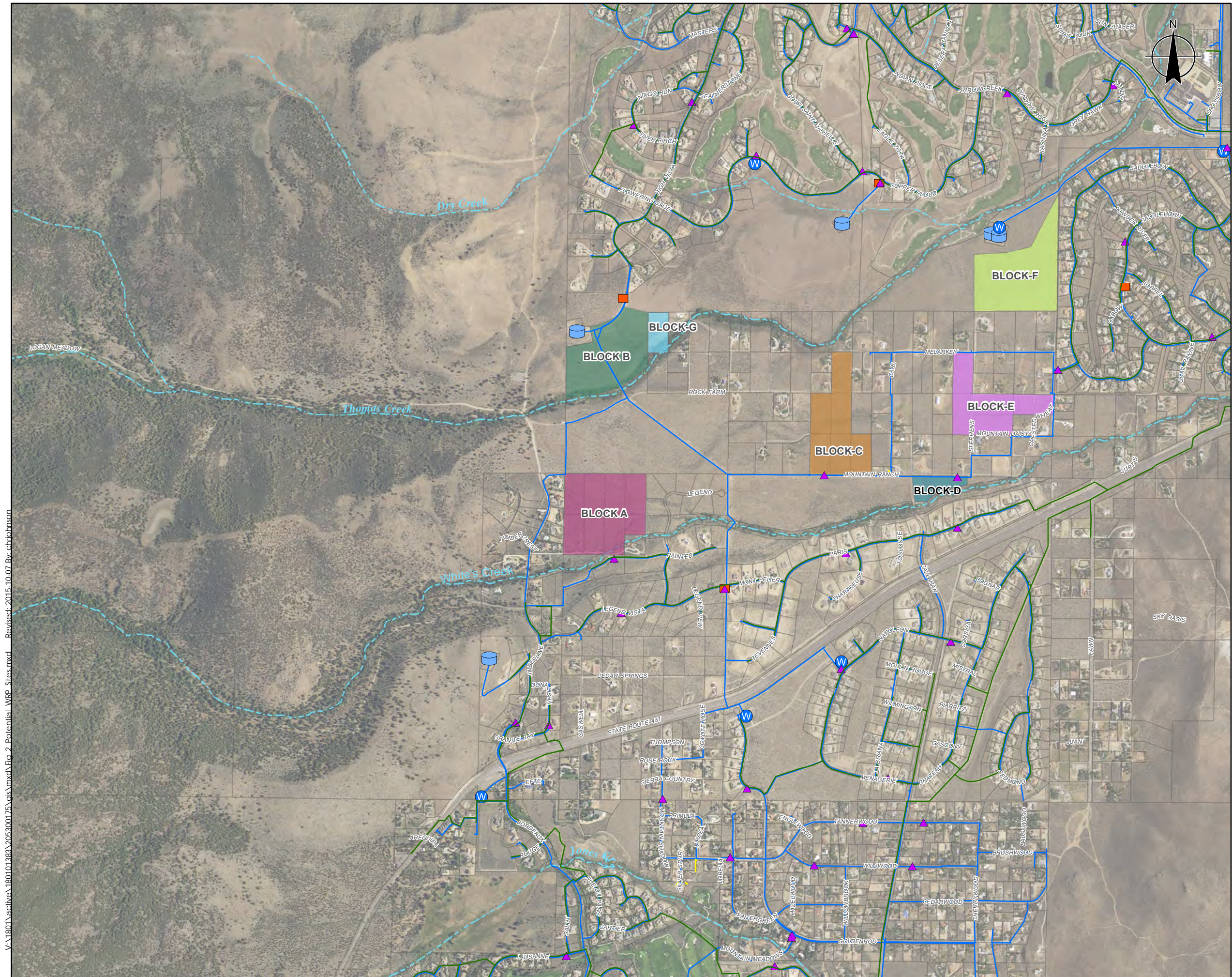
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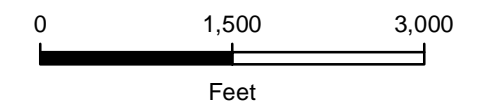
Reference: TM2 - Siting Analysis for the Mt Rose / Galena Fan Water Treatment Plant

Building Permits: The WTP and diversions will require building permits issued by Washoe County. Building permit applications require complete design plans and specifications for the project, and typically take several weeks to be reviewed and a permit issued. Building permit fees are based on project valuation.



Legend

- TMWA Water Infrastructure**
- Pump Station, Active, TMWA; Treatment BPS, Active, TMWA
 - Regulator Station, Active, TMWA
 - Tank, Active, TMWA
 - Well, Active, TMWA
- Potential WTP Sites**
- BLOCK A
 - BLOCK B
 - BLOCK C
 - BLOCK D
 - BLOCK E
 - BLOCK F
 - BLOCK G
 - Washoe Co Sewer Line
 - TMWA Network Line
 - TMWA Pressurized Main



1:18,000 (At Original document size of 11x17)
 Coordinate System: NAD 1983 StatePlane Nevada West FIPS 2703 Feet

Service Layer Credits:
 Washoe County, Truckee Meadows Water Authority,
 NVEnergy, ESRI

Project Location: Washoe County, Nevada
 Project No.: 180101383
 Prepared by CJ on 10/7/2015
 Tech. Review by JB on 10/7/2015

Client/Project
 Truckee Meadows Water Authority
 Mt. Rose/Galena Fan
 Preliminary WTP Siting Analysis

Figure 2
 Title
 Potential WTP Sites

V:\1801\active\180101383\205300175\GIS\mxd\Fig 2_Potential_WTP_Sites.mxd Revised: 2015-10-07 By: chjohnson



JOHNSON | PERKINS | GRIFFIN
REAL ESTATE APPRAISERS & CONSULTANTS

AN APPRAISAL
OF

THE PROPOSED ACQUISITION
OF THE
WATER TREATMENT PLANT SITE
MONTE VISTA 3B

GENERALLY LOCATED

BETWEEN MOUNTAIN RANCH ROAD AND WHITES CREEK
AT THE SOUTH TERMINUS OF STEPHENS ROAD,
(NORTH OF THE MT. ROSE HIGHWAY),
RENO, WASHOE COUNTY, NEVADA

OWNED BY

TL MT. ROSE ESTATES, LP

PREPARED FOR

THE TRUCKEE MEADOWS WATER AUTHORITY

FOR THE PURPOSE OF

ESTIMATING MARKET VALUE AND RECOMMENDED REAL PROPERTY
JUST COMPENSATION DUE TO THE OWNER OF THE SUBJECT
PROPERTY AS A RESULT OF A PARTIAL FEE SIMPLE ACQUISITION



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Stephen R. Johnson, MAI, SREA
Reese Perkins, MAI, SRA
Scott O. Griffin, MAI
Cindy Lund Fogel, MAI
Karen K. Sanders

August 17, 2015

Via Email hedmunson@tmwa.com

Ms. Heather Edmunson, Land Agent
Truckee Meadows Water Authority
1355 Capital Boulevard
P.O. Box 30013
Reno, Nevada 89520

Re: Appraisal – Proposed Water Treatment Plant Site, Monte Vista 3B Subdivision,
Reno, Washoe County, Nevada - Portion of APN 150-460-05

Dear Ms. Edmunson:

This is in response to your request for an appraisal report of a vacant parcel of land generally located between Mountain Ranch Road and Whites Creek, at the south terminus of Stephens Road, Reno, Washoe County, Nevada. The subject site is a portion of the common open space for proposed Phase 3B of the Monte Vista subdivision which is located at Callahan Road, off the Mt. Rose Highway. The subject is identified as a portion of Washoe County Assessor's Parcel Number 150-460-05. According to the records of the Washoe County Assessor's office, the subject property is owned by TL Mt Rose Estates LP.

It is our understanding that a 3.9± acre site is being considered for the installation of a new water treatment facility. The acquisition area is to be purchased in fee simple title. The purpose of the appraisal is to estimate the Market Value and Just Compensation due the owners as a result of the partial acquisition, as of a current date of valuation. The intended use of the appraisal is to assist the client in negotiations for the purchase of the acquisition area. The client is the Truckee Meadows Water Authority. The intended users of the appraisal are the Truckee Meadows Water Authority, the subject ownership and their representatives.

This appraisal has been completed in conformity with and subject to the requirements of the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, and the



Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. The appraisal report presents summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop the appraisers’ opinion of value. Supporting documentation concerning the subject data, reasoning and analyses will be retained in these appraisers’ file. The depth of the discussion contained in the report is specific to the needs of the client and for the intended use as stated herein. This appraisal firm is not responsible for unauthorized use of the report.

In addition, this appraisal report conforms to the requirements of *Nevada Revised Statute* 645C.

The following summarizes the subject property’s identified larger parcel land area prior to the proposed acquisition, the proposed acquisition area, and the size of the remainder parcel after the proposed acquisition.

Proposed Partial Fee Simple Acquisition Summary Chart

Monte Vista Open Space Land A.P.N.	Identified Larger Parcel Land Area		Proposed Partial Acquisition Land Area		Land Area After Acquisition	
	Acres	Square Feet	Acres	Square Feet	Acres	Square Feet
Portion of 150-460-05	6.65± Acres	289,674± SF	3.9± Acres	169,795± SF	2.75± Ac	119,879± SF

This appraisal has been prepared subject to the following extraordinary assumptions:

- For the purposes of this analysis it has been assumed that the proposed fee simple acquisition area set forth on the exhibit map prepared by Stantec, and provided to us by the Truckee Meadows Water Authority, is correct. Any change in the proposed acquisition area could impact the final market value and just compensation conclusions set forth in this report.



After careful consideration of all data available, and upon thorough personal investigation of the subject property and the comparable properties analyzed, it is our opinion that the Market Value of the proposed fee simple acquisition area, as of August 4, 2015, is as follows:

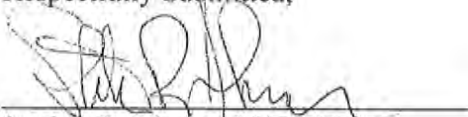
JUST COMPENSATION SUMMARY AND CONCLUSION
Proposed Water Treatment Plant Site, Monte Vista 3B Subdivision

Value Subject's Larger Parcel, Before Partial Fee Acquisition	\$116,375
Value of Partial Fee Acquisition	<u>\$57,000</u>
Value of Remainder, Before Partial Acquisition	(Rounded) \$60,000
Damages	None
Special Benefits	<u>None</u>
Damages and Special Benefits Conclusion	<u>None</u>
Value of Remainder, After Partial Acquisition	\$60,000

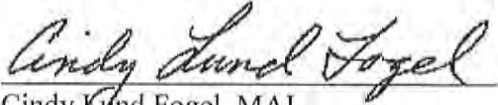
JUST COMPENSATION CONCLUSION

Value of Partial Fee Acquisition	\$57,000
Damages	None
Special Benefits	<u>None</u>

RECOMMENDED JUST COMPENSATION CONCLUSION **\$57,000**
(As a Result of the Partial Fee Simple Acquisition – 3.9± Acres)

Respectfully Submitted,


Stephen R. Johnson, MAI, SREA
Nevada Certified General Appraiser
License Number A.0000003-CG



Cindy Lund Fogel, MAI
Nevada Certified General Appraiser
License Number A.0002312-CG

TABLE 1

ESTIMATED INFRASTRUCTURE COSTS

Block	Whites Cr.		Inomas Cr.		Total Raw Water		Raw Water		Treated Water		Unit Cost (12" main)		Total Treated Water Cost		Sewer Main (ft)		Unit Cost (6" force main)		Total Sewer Cost		Roadway Improvements		Roadway Width (ft)		Total Area (SY)		Unit Cost		TOTAL COST	
	Diversion Main (ft)	1000	Diversion Main (ft)	2100	Water Main (ft)	3100	Unit Cost (\$8" main)	\$64	Raw Water Main Cost	\$198,400	Water Main (ft)	2100	Unit Cost (\$96)	\$201,600	Sewer Main (ft)	1700	Unit Cost (\$50)	\$85,000	Roadway Improvements (ft)	1600	Roadway Width (ft)	28	Unit Cost (\$30)	\$4,978	Total Area (SY)	\$30	Road Cost	\$149,333	TOTAL COST	\$634,333
A	4700	4700	750	750	5450	5450	\$64	\$348,800	100	\$96	\$9,600	1500	\$50	\$75,000	1700	\$30	\$51,000	1700	\$30	\$51,000	28	\$30	\$840	\$5,289	\$30	\$158,667	\$592,067			
B	2200	2200	1700	1700	3900	3900	\$64	\$249,600	500	\$96	\$48,000	1800	\$50	\$90,000	1250	\$30	\$37,500	1250	\$30	\$37,500	28	\$30	\$840	\$3,889	\$30	\$116,667	\$504,267			
C	300	300	3800	3800	4100	4100	\$64	\$262,400	500	\$96	\$48,000	500	\$50	\$25,000	0	\$30	\$0	0	\$30	\$0	28	\$30	\$840	\$0	\$30	\$0	\$335,400			
D																														

