

CASE STUDY



Painted Rock

The CBRE Land Services Group arranged a multiple-party land and water rights transaction at 575 Painted Rock Road in Reno, Nevada, involving a governmental water authority, a private developer and a local ranch family. This transaction served to alleviate a water shortage that had hindered Northern Nevada development and stabilize the water market.

CHALLENGE

In Reno, Nevada, government water provider Truckee Meadows Water Authority maintains a bank of water rights which it allocates to certain county developments. In November 2005, the TMWA ran out of water rights, causing a water shortage in Reno. As a result, water rights skyrocketed from \$4,000 per acre-foot to more than \$55,000 per acre-foot, making development in Northern Nevada cost-prohibitive. In an effort to allay the region's rising water costs, the CBRE Reno-Tahoe Land Services team of Bruce Breslow, Ron Cobb and Junene Cheek sought to find a large land owner that would be willing to sell its property and enough water rights to alleviate the shortage and stabilize the market.

After conducting an extensive evaluation of the region's property owners, the team located a ranch family at 575 Painted Rock Road that would consent to selling both its land and water rights. However, due to TMWA being prohibited by law from buying a ranch or land, the challenge posed by this opportunity was finding a buyer to purchase the ranch and then simultaneously flip the water rights to TMWA.

SOLUTION

The CBRE team proposed an arrangement to the ranch family which involved selling 575 Painted Rock Road's land and water rights, but enabling them to stay on the property with a free life-estate lease. The team then identified Reynen and Bardis — which had a number of stalled projects due to the long waiting list for government water — as a motivated buyer.

Reynen and Bardis agreed to purchase 575 Painted Rock Road's land and water rights, contingent on allowing the family to remain on the property at no cost and selling the water rights back to TMWA. As a result of obtaining the water rights, TMWA agreed to mitigate the developer's future water needs by issuing will-serve permits for all the projects in Reynen and Bardis' queue.

RESULT

Securing the developer enabled Bruce, Ron and Junene to negotiate a transaction which ultimately benefited all three parties, providing Reynen and Bardis with the water necessary for its projects, replenishing TMWA's water supply, and netting the ranch family \$12.75 million for its water rights while allowing them to continue to live on their property.

Furthermore, the CBRE Land Services Group helped stabilize a volatile water rights market, as the cost of water fell from \$55,000 an acre-foot to approximately \$34,000 per acre-foot. By aiding its local government water provider, the CBRE team also

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enabled Northern Nevada developers to once again rely on the public process rather than costly private water rights transactions.

The team is currently working with other ranchers and farmers to transfer their water rights from agricultural to municipal usage.

TEAM

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