



## Board Report

File #: 2016-0626, File Type: Contract

Agenda Number: 35.

### EXECUTIVE MANAGEMENT COMMITTEE SEPTEMBER 15, 2016

**SUBJECT: RENEWAL OF LEASE AGREEMENT WITH CALTRANS AT TERMINAL 28**

**ACTION: AUTHORIZE THE CEO TO EXECUTE THE RENEWAL OF A FIVE-YEAR LEASE AGREEMENT**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute the **renewal of a five-year (5-year) lease agreement with Caltrans for Terminal 28 in Los Angeles** at a monthly lease rate of eleven thousand six hundred dollars (\$11,600) with annual increases of three percent (3%) per year, including one option to extend the term of the lease for an additional five years.

#### **ISSUE**

Metro staff has negotiated the renewal of the lease agreement with Caltrans to provide for the continued use of Terminal 28 for Bus Operations.

Approval of the lease agreement requires board approval.

#### **DISCUSSION**

Metro has maintained Terminal 28 as a bus layover site since 1976. The terminal is located under the Santa Monica Freeway at the southeast intersection of Hill Street and 17<sup>th</sup> Street. This site, which consists of approximately 68,135 square feet, accommodates buses serving the downtown area, West Los Angeles, the San Fernando Valley, El Monte, and the San Gabriel Valley. Terminal 28 is a critical location for layovers because there is insufficient on-street parking in the Central Business District for the buses. The site also services as a staging area for buses during special events and is the only close-in location that has adequate restroom facilities for the bus operators.

The current lease expired on December 31, 2014 and has continued on month to month holdover. The current monthly rent is \$10,023.

Negotiations for a new five-year lease commenced in June 2014, however, the negotiations were unusually protracted due to Metro's efforts to negotiate competitive rental rates. Based on their rental survey, Caltrans had requested an increase to \$15,000 per month or \$0.22 per square foot for

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Terminal 28. Metro staff appraised the site and concluded that the fair market rental rate for Terminal 28 is approximately \$11,600 per month or \$0.17 per square foot. Caltrans and Metro staff subsequently agreed on this rental rate.

Staff believes that the new rental rate for this location is fair and reasonable.

### **DETERMINATION OF SAFETY IMPACT**

This Board Action will not have an impact on safety standards for Metro operations.

### **FINANCIAL IMPACT**

Current funding for the payment of rent for this lease is included in the FY17 budget in cost center 0651, Non-Departmental Real Estate, under project number 306006, task number 01.001, Bus Operations. The total rental cost for this lease for the term covering October 1, 2016 to September 30, 2021 is estimated to be \$739,000. The cost center manager, DEO of Real Estate, will budget the cost in future years.

#### **Impact to Budget**

Source of funds for this lease renewal will come from Federal, State, and Local sources that are eligible for Operating projects.

### **ALTERNATIVES CONSIDERED**

The alternative is to not approve the lease agreement. This alternative is not recommended because Terminal 28 is critical for bus operations. The location is paved, fenced and includes bus operator rest room facilities. There are no available properties in the area that could replace this location. Caltrans cannot sell this property because it is airspace under the freeway.

### **NEXT STEPS**

Execute the lease agreement with Caltrans, subject to County Counsel approval as to form

### **ATTACHMENTS**

Attachment A - Plot Plan for Terminal 28

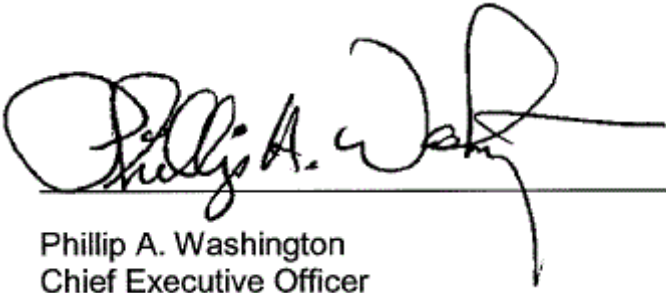
Attachment B - Summary of Lease Agreement Key Terms

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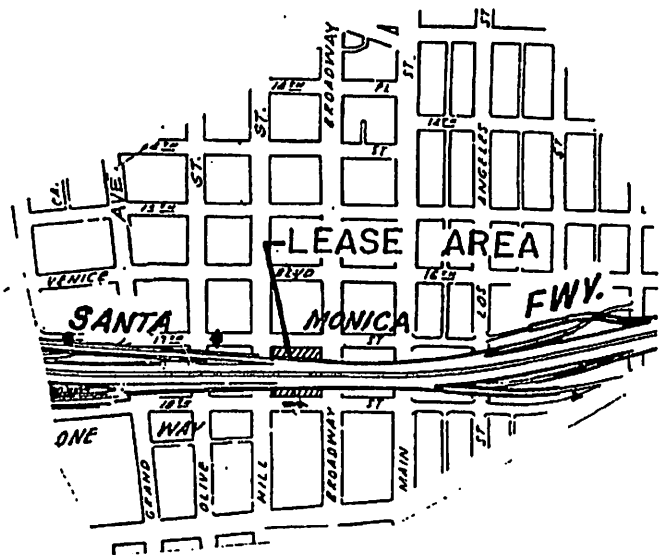
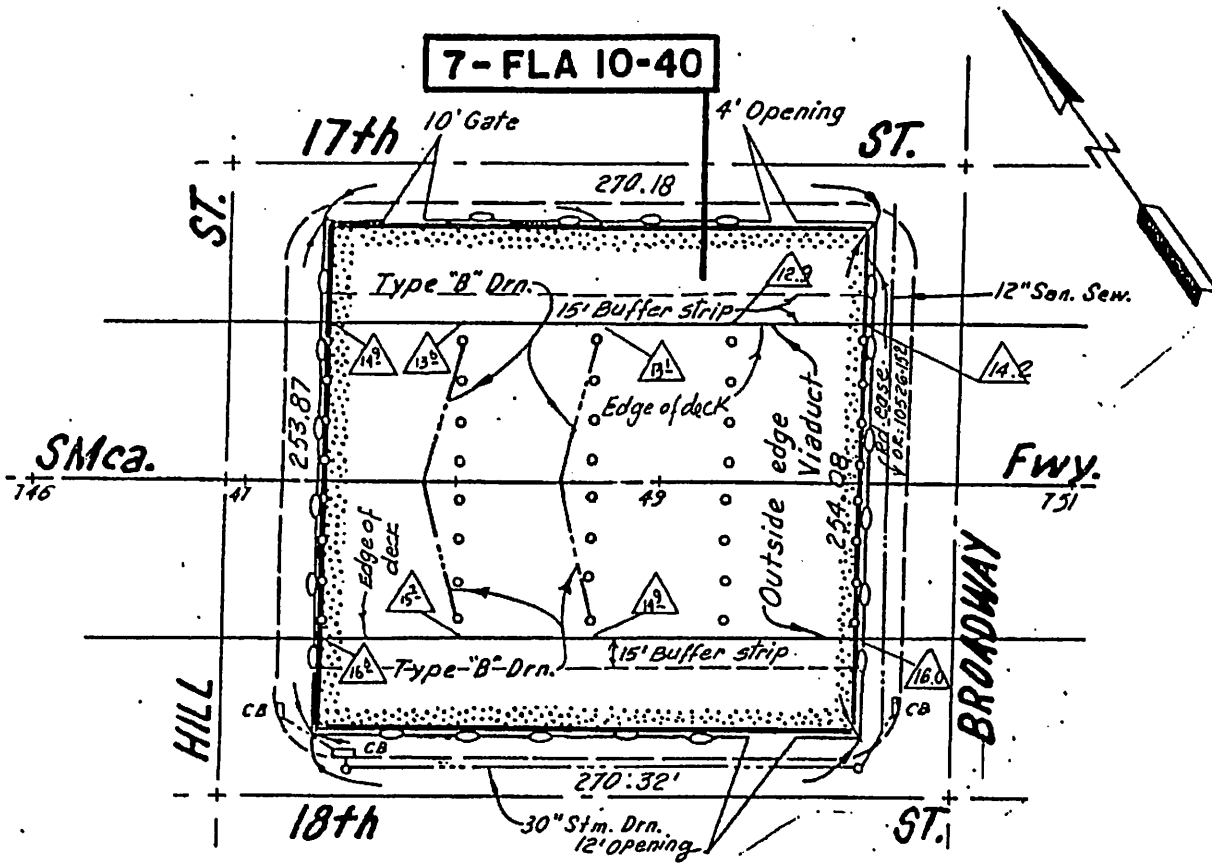


Phillip A. Washington  
Chief Executive Officer

# CITY OF LOS ANGELES

DIST.	COUNTY	RTE.	P.M.
07	LA	10	15.4

**7-FLA 10-40**

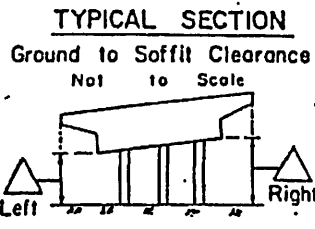


**APPROXIMATE AREAS**

COVERED AREA	=	42,029	SF
CLEAR AREA	=	28,608	SF
GROSS AREA	=	68,637	SF
COLUMN AREA	=	502	SF
NET AREA	=	68,135	SF

- CHAIN LINK FENCE
- 4' DIAMETER CIRCULAR COLUMN
- |||| STATE RETAINS ACCESS RIGHTS

NOTE: Complete and Accurate Utility Data Should Be Verified By The Lessee



STATE OF CALIFORNIA- DEPARTMENT OF TRANSPORTATION- DISTRICT 07

**EXHIBIT A** FLA 07-LA 10-40 "A"

SCALE: NONE  
DRAWN: LG CHKD: JCH  
DATE: 10-12-89  
25425-C

PLOT PLAN FOR TERMINAL 28

ATTACHMENT A

## ATTACHMENT B

### SUMMARY OF LEASE AGREEMENT KEY TERMS

Premises	The Premises for Terminal 28 consists of approximately 68,135 square feet and is located at the southeast intersection of Hill Street and 17 <sup>th</sup> Street..
Term	The term of the lease agreement is five (5) years commencing October 1, 2016. Metro has the option to extend the term of the lease for an additional five-year (5-year) period with 180 days prior written notice.
Rent	Metro shall pay Caltrans a fixed monthly rental, in the amount of Eleven Thousand Six Hundred (\$11,600) Dollars, for the first year of the Lease term. The rent increases three percent (3%) per year over the term of the lease and any extension.
Use	Terminal 28 is used as a bus layover yard and as a staging area for buses during special events.
Termination	The lease may be terminated by either party on 90-days prior written notice.