



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 17th 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

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

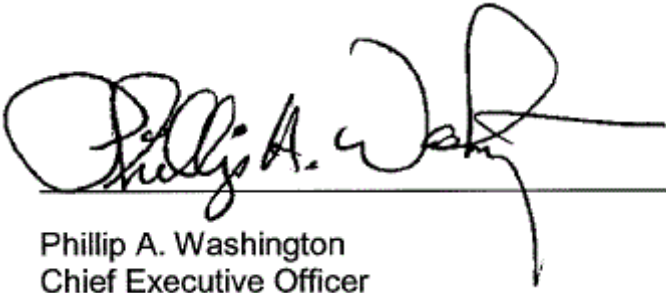
Attachment B - Summary of Lease Agreement Key Terms

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