



Board Report

File #: 2017-0147, File Type: Agreement

Agenda Number: 35.

**EXECUTIVE MANAGEMENT COMMITTEE
JUNE 15, 2017**

SUBJECT: LEASE OF METRO PROPERTY FOR CROSSROADS SCHOOL FOR ARTS & SCIENCES

ACTION: AUTHORIZE EXECUTION OF SEVEN (7)-YEAR LONG-TERM LEASE

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a seven (7)-year lease agreement (“Lease Agreement”) with The Crossroads School for Arts & Sciences, (“Crossroads”) to continue leasing Metro-owned property located adjacent to the Expo Light Rail Line, near 17th Street and Colorado Avenue, in Santa Monica (“Premises”). Anticipated total rent income over the 7-year lease term is \$1,974,000.

ISSUE

Crossroads is directly adjacent to the Expo Light Rail Transit (“Expo LRT”) between 17th and 18th Streets, in Santa Monica. Crossroads has been a tenant of Metro since 1999, with an existing month-to-month lease covering an area of approximately 34,549 square feet for supplemental parking and a non-exclusive driveway for ingress/egress to 17th Street. The driveway is also used by Clear Channel for access to its signboard located on said driveway.

Now that the Expo LRT and bike path are completed, Crossroads has requested a term longer than its existing month-to-month term.

Since there are no additional Metro projects anticipated for this site and no impacts to the Crossroads lease area in the foreseeable future, staff recommends the approval of the requested 7-year term.

DISCUSSION

The Exposition Right-of-Way that was acquired from Southern Pacific Transportation Company in 1991 terminated at 17th Street in Santa Monica, adjacent to Crossroads. Most of the leases along the Expo Line were subsequently terminated for the Expo LRT. The Crossroads lease was not impacted by the Expo LRT construction and therefore termination was not required, except for a small reduction of 1,913 square feet from the lease area for the bike path.

DETERMINATION OF SAFETY IMPACT

This project will not have any impact on safety. The Lease Agreement requires Crossroads to maintain fencing of the lease area, which separates it from the adjacent Expo bike path. The bike path is further separated with a wall from the Expo LRT guideway.

FINANCIAL IMPACT

The Lease Agreement has been negotiated to fair market rent based on an internal Metro appraisal. Under the existing month-to-month agreement, rent is \$17,000 per month or \$204,000 per year. The new rent will be \$22,000 per month totaling \$264,000 for the first year. Thereafter, rent will escalate by two percent per year equating to \$500.00 per month net increase through the life of the agreement. By year seven, the rent will be \$25,000 per month for an annual rent of \$300,000.

Impact to Budget

Adoption of the recommended action will have no negative impact to the Fiscal Year 2017 budget for bus or rail operations. Revenue from the lease will go to the General Fund.

ALTERNATIVES CONSIDERED

The Board may choose to not approve the 7-year term of the Lease Agreement, but continue the existing month-to-month term. This alternative is not recommended because without a secure lease, Crossroads may terminate the lease at any time; and if the property is not leased, then Metro will sustain costs and responsibilities for the vacant parcel, including maintenance, security, and liabilities. This lease is expected to produce a minimum of \$264,000 in the first year of the agreement.

NEXT STEPS

The final terms of the lease will be negotiated and the lease executed with Crossroads, subject to County Counsel and Risk Management review. Crossroads has previously installed paving and fencing, and is expected to install additional improvements. The 7-year lease can begin immediately.

ATTACHMENTS

Attachment A - Summary of Key Lease Terms
Attachment B - Site Drawing of Leased Premises

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