

**Board Report**

File #: 2023-0426, **File Type:** Agreement**Agenda Number:** 8.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 20, 2023****SUBJECT: LICENSE AGREEMENT WITH SOUTHERN CALIFORNIA EDISON FOR THE BLUE
LINE STORAGE YARD LOCATED NEXT TO DIVISION 11 IN LONG BEACH****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute a five (5)-year license agreement commencing November 1, 2023, with Southern California Edison, (“Licensor”) for the 7.7 acre storage yard located next to Division 11 in Long Beach (“Edison Yard”) at an annual rate of \$139,271.30 with escalations of five percent (5%) annually for a total license value of \$769,561.82 over the term.

ISSUE

Metro Operations, Rail Fleet Services, and Wayside Systems, have a license to occupy a Southern California Edison (“SCE”) property (“Edison Yard”) located next to Division 11. The existing license agreement is for a five-year duration. The Board approved the current license on January 24, 2019 which was retroactive to November 1, 2018. The current five-year license will expire on October 31, 2023. Metro Operations has a continued need for the Edison Yard for ongoing Blue Line and other Rail Fleet Services and Wayside Systems needs. Approving this license (“License”) will secure the Edison Yard for an additional five-year term from November 1, 2023 through October 31, 2028. Southern California Edison will only issue licenses for five-year periods as the land also contains their transmission towers which prohibit them from surrendering ownership. The License requires Board approval as the total license expense exceeds the CEO delegated authority to enter contracts with a cost not to exceed \$500,000.

BACKGROUND

The current five-year license term commenced on November 1, 2018, and will expire on October 31, 2023, for a total amount of \$625,672.78. Prior to the current license, Metro maintained storage at this location dating back to the 1990s, so Real Estate finds little agency exposure in continuing the License with the Licensor through consecutive five-year agreements. The Edison Yard is the only location Metro has to store large rail track and contractual spare material (e.g. 40’ rail sticks, ties, etc.). There is material stored at the Edison Yard that supports every Metro Rail Line.

DISCUSSION

Findings

The current rental rate for the Edison Yard is a fair estimation of market value. No alternate location has been found that can offer a similar affordability, proximity to Division 11, and is large enough to store the materials Metro has there. The Edison Yard provides the best fit for Rail Fleet Services and Wayside Systems needs.

Considerations

Because of the continued need for storage at the Edison Yard, the larger risk is to operational efficacy if the Board chooses not to renew the License with Edison. In the unlikely event that Metro determines the space is no longer needed, Metro can choose to exercise its right to terminate the License at any time with 30 days' notice, mitigating any long-term financial obligations of the License.

DETERMINATION OF SAFETY IMPACT

The proposed License will complement Metro's commitment to a safe, clean, on-time, and reliable transportation system by safely securing Metro rail replacement parts.

FINANCIAL IMPACT

The rental rate for the License renewal will increase from \$132,639.33 per year to \$139,271.30. The annual rent of \$139,271.30 commencing November 1, 2023, will cost \$769,561.82 over the five-year term including annual fixed increases of five percent (5%).

Metro Real Estate staff has determined that the rental rate and increases are in line with the fair market for land in the Edison Yard area.

Impact to Budget

Funding for the payment of rent for the Edison Yard will be budgeted and paid from Cost Center 0651, project number 300022 for fiscal year 2024. The funding for the proposed License will come from Federal, State, and Local sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The Edison Yard is critical to keeping the Metro rail system safely maintained and serving Equity Focus Communities. The Edison Yard is in the middle of an industrial area and is closest to Virginia Country Club's surrounding communities. Because it is a storage yard, any activity generating noise will be infrequent and minimal.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Strategic Plan Goal 5: Provide responsive, accountable, and trustworthy government by securing Metro Rail investments and supporting Vision 2028.

ALTERNATIVES CONSIDERED

The alternative is to not approve the license agreement. This alternative is not recommended because the Edison Yard is critical to Rail Fleet Services operations in keeping the rail system safely maintained.

NEXT STEPS

Execute the License with Southern California Edison subject to County Counsel approval as to form.

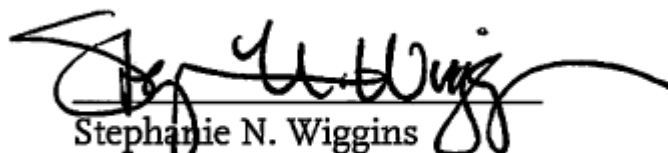
ATTACHMENTS

Attachment A - Location Map

Attachment B - Blue Line Storage Yard License Renewal Estimated Rental Costs

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