



Board Report

File #: 2016-0625, File Type: Contract

Agenda Number: 34.

EXECUTIVE MANAGEMENT COMMITTEE SEPTEMBER 15, 2016

SUBJECT: RENEWAL OF LEASE AGREEMENT WITH CALTRANS AT LOCATION 403

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 Location 403 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 Location 403 for employee parking.

Approval of the lease agreement requires board approval.

DISCUSSION

Metro has leased Location 403 from Caltrans since 1999 for employee parking for Division 2. This site is located under the Santa Monica Freeway at the southeast intersection of 16th Street and Griffith Avenue. This site consists of approximately 72,825 square feet and provides parking for approximately 200 employees.

The current lease expired on September 30, 2015 and has continued on month to month holdover. The current monthly rent is \$9,949.

Negotiations for a new five-year lease commenced in June 2015, however, the negotiations were unusually protracted due to Metro's efforts to negotiate competitive rental rates. Metro staff appraised the site and concluded that the fair market rental rate for this site is approximately \$11,600 per month or \$0.16 per square foot. Caltrans and Metro staff subsequently agreed to this rental rate. Staff believes that the new rental rate for this location is fair and reasonable.

Staff is developing a facility master plan to assess and optimize the use and service deployment at the Bus Divisions. Division 2 is included in the assessment, and this may impact the use of Location 403. If an alternative or modified facility use is identified for Division 2, the lease terms include a termination clause that states the lease may be terminated by either party, given 90-day prior notice.

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 the 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 the 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

The source of funds for this lease agreement 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 Location 403 provides employee parking for staff at Division 2. The location is paved and fenced. 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 Location 403

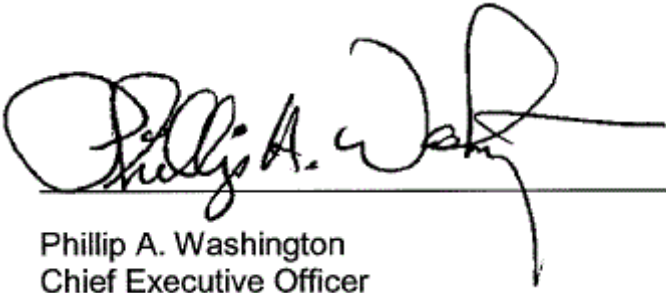
Attachment B - Summary of Lease Agreement Key Terms

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