



Board Report

File #: 2018-0724, File Type: Agreement

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 16, 2019

SUBJECT: LICENSE AGREEMENT WITH SOUTHERN CALIFORNIA EDISON FOR THE BLUE LINE STORAGE YARD

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a five (5)-year license agreement commencing November 1, 2018 with Southern California Edison (“Licensor”) for the Blue Line Storage Yard located next to Division 11 in Long Beach at a rate of \$117,848.33 annually with escalations of three percent (3%) annually for a total license value of \$625,673 over the term.

ISSUE

Metro Operations has a continued need for the storage yard next to Division 11 for ongoing Blue Line operations needs. Approving this license will secure the space for an additional five-year term (Nov. 1, 2018 - Oct. 31, 2023). The Licensor will only issue licenses for five-year periods.

BACKGROUND

The current five-year license expired on October 31, 2018. The current rental rate is a fair estimation of market value based on a recent Metro staff appraisal from early 2018. No alternate location has been found which can offer a similar affordability and proximity to Division 11 that provides a best fit approach to both operational need and dollar cost to satisfy storage requirements.

Although Real Estate was ready to present the agreement for Board approval at the September 27, 2018 meeting, SCE’s counsel was delayed in providing final terms and conditions nor was SCE willing to accept more than a five-year agreement. This impacted the department’s timeline for Metro Board approval. However, the current agreement remains in holdover and operates as a month-to-month arrangement while the successor agreement is fully negotiated and approved by all parties.

DISCUSSION

Findings

Metro has maintained storage at this location dating to the 1990s, so Real Estate finds little agency exposure in continuing the license with the Licensor.

Risks

Because of the continued need for storage at this location, 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.

Equity Platform

This storage yard services the Blue Line which is one of a limited number of high-frequency and capacity transit options connecting Long Beach to the greater Los Angeles metro area. Not approving could hinder existing services and exacerbate mobility options and challenges in the area.

DETERMINATION OF SAFETY IMPACT

The property outlined in this agreement is currently in use by Metro as the Blue Line storage yard, and Real Estate finds no foreseeable risk to safety from continuation of the license agreement with SCE.

FINANCIAL IMPACT

Funds for this license agreement are budgeted annually in the Real Estate Non-Departmental Cost Center (0651) under Rail Operation's Blue Line Project (300022). The five-year term (with three percent year-over-year escalation) will result in the payment schedule outlined in the section below.

Impact to Budget

The funds for this license agreement are eligible for bus/rail operating and capital expenses and include fares and sales tax. Payments are made in November of the term year. The first payment will be made immediately and paid from the above referenced funding source on an annual basis through expiration of the term in fiscal year 2023. The five-year budget impact will be as follows:

<u>Fiscal Year</u>	<u>Period</u>	<u>Annual Rent</u>
2019	11/1/18 to 10/31/19	\$117,848.33
2020	11/1/19 to 10/31/20	\$121,383.78
2021	11/1/20 to 10/31/21	\$125,025.29
2022	11/1/21 to 10/31/22	\$128,776.05
2023	11/1/22 to 10/31/23	\$132,639.33
	Total	\$625,672.78

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This agreement aligns with Strategic Plan *Goal 1* by providing adequate storage for Blue Line operational needs which are essential to providing high quality mobility operations for L.A. County residents in the defined service area. In addition, Real Estate staff are of the opinion, given

operational requirements, that this is the best available option for the agency and provides a responsive outcome via a transparent and accountable process as defined by Goal 5 of the Strategic Plan.

ALTERNATIVES CONSIDERED

Real Estate considered not renewing the license agreement with the Licensor. When local market research was conducted to find alternative sites, it became apparent that no site providing both equivalency for a best-fit based on Blue Line operating needs to dollar value could be matched with the current site.

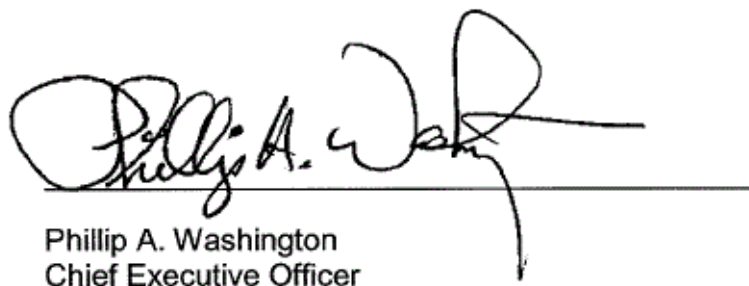
NEXT STEPS

Upon the Board's approval, Real Estate will prepare the license agreement for execution by Metro CEO and subsequently obtain counter-signatures to fully execute the five-year license with Southern California Edison.

Attachment A - Division 11 Storage Yard Location

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