



Board Report

File #: 2018-0748, File Type: Contract

Agenda Number: 23.

OPERATIONS, SAFETY AND CUSTOMER EXPERIENCE COMMITTEE JANUARY 17, 2019

SUBJECT: LEASE AGREEMENT WITH ANDY AZAD 2002 IRREVOCABLE TRUST

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a four-year, three month amendment to the existing lease agreement with Andy Azad 2002 Irrevocable Trust ("Landlord") for the use of 44,964 rentable square feet ("RSF") of warehouse space located at 2950 East Vernon Ave, Vernon, commencing May 1, 2019 at a monthly rate of \$40,017.96 for the total value of \$2,189,247 including annual escalations of three percent.

ISSUE

Supply Chain Management/Logistics currently leases this property under an existing nine-month agreement. The lease will expire April 30th, 2019. The warehouse is 26' clearance with dock high and ground level loading. It was constructed in 1989 and is centrally located on Vernon Avenue between Santa Fe and Soto Avenue, 4 blocks east of Metro's Vernon Yard Facility - Location 34 (See Attachment A). The proximity to downtown Los Angeles provides ideal central access to support Rail Fleet Services and Wayside Operations for the safe and secure storage of large high-dollar assets critical to the safe and effective operation of Metro's Rail fleet.

BACKGROUND

Since the construction of the Blue Line, all Metro Rail projects include contractual spares used for the repair or replacement of failed components on Metro rail cars and mainline systems. For each rail car acquisition and mainline commissioning, a list of recommended rolling stock components is provided by the prime contractor to Metro Operations. Components and quantities are selected based on unit cost up to the original value for spare parts designated in the contract. It is the responsibility of Supply Chain Management/Logistics to house and secure these high-dollar rail assets in support of the daily operation of Metro's rail fleet and maintain a State of Good Repair.

DISCUSSION

Findings

With the term lease set to expire April 30th 2019, Supply Chain Management/Logistics is requesting to secure the warehouse located at 2950 E. Vernon Ave, Vernon for an additional four years and three months.

Supply Chain Management/Logistic warehouses have reached 95% capacity to securely store large Light Rail Vehicle, Heavy Rail, and Wayside components. These items include transformers, mainline switches, multiple large spools of cable containing copper, rail car HVAC systems, pantographs, windshields, axles, train trucks, large body parts, etc.

Supply Chain Management/Logistics is currently receiving an unprecedented amount of material in the form of contractual spares to support the P3010 LRVs. In addition, contractual spares will be received to support the LAX/Crenshaw Transit Project, Gold Line Extension, Purple Line Extension (I, II, & III), Regional Connector, HRV 4000s, Division 20 Portal Widening, and future Rail capital projects that include contractual spares.

DETERMINATION OF SAFETY IMPACT

The proposed lease will compliment Metro's commitment to a safe, clean, on-time and reliable transportation system by safely securing Metro rail assets.

FINANCIAL IMPACT

Adoption of this Board Report would have a \$2,189,247 impact to the agency.

The Amendment provides for monthly payment of \$40,017.96 (annually \$480,215) commencing April 30th, 2019 and will cost \$2,189,247 over the four-year three-month term including an annual fixed three-percent escalations in rent.

The lease rate is \$0.89/PSF, modified gross, in which the landlord is responsible for the property taxes, Vernon Warehouse Parcel Tax, and property insurance. Metro is exempt from City of Vernon Business License Tax. Metro is responsible for utilities, at an estimated cost of \$200-\$300 per month, and for any damage caused to the leased premises.

Real Estate staff anticipates a slight increase and finds it to be in line with the escalation of warehouse rent costs in the Los Angeles Region (See Attachment B).

Current year funding for the payment of rent for the warehouse is included in the FY19 budget. Future years funding will be budgeted and paid from Supply Chain/Logistics Cost Center 6350, Project number 300040. The Chief Vendor/Contract Management Officer and Cost Center manager will be responsible for budgeting costs in future years.

Impact to Budget

The current sources of funds for this action are General funds. These funds are eligible for Bus and Rail Operations and Capital expenses. Use of this funding source maximizes allowable project

funding allocations given established provisions and guidelines.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 5.

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

ALTERNATIVES CONSIDERED

Kinkisharyo in Palmdale quoted a price of \$20,000 per month to house the remaining balance of P3010 contractual spares owed to Metro. This would be one-half the cost of the proposed monthly warehouse rental, however, it would not address the total need for storage space for large material for Metro's contractual spares for all projects mentioned.

Another alternative would be a combination of storing large material down the aisles of existing Supply Chain Management/Logistics warehouses, and in Metro Rail Operations & Maintenance Facilities parking lots. However, this would leave high dollar rail assets unprotected, exposed to the elements, increased labor cost, delay in servicing our customers, and create an extremely inefficient means of managing inventory, as well as create potential fire code violations.

NEXT STEPS

Upon approval as to form by County Counsel, the lease will be sent to the Landlord for execution.

ATTACHMENTS

Attachment A - Map of Property Location

Attachment B - Lease Comparable

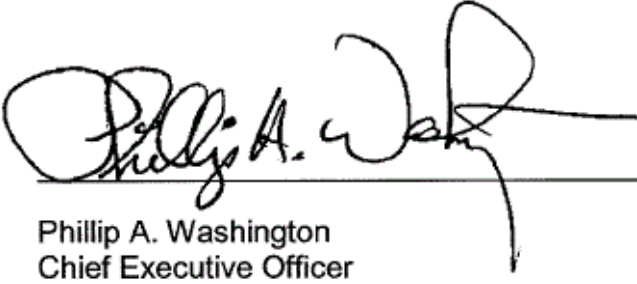
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