



425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

Antonio R. Villaraigosa

Mayor, City of Los Angeles

Board of Harbor
Commissioners

Cindy Miscikowski
President

David Arian
Vice President

Robin M. Kramer

Douglas P. Krause

Sung Won Sohn, Ph.D.

Geraldine Knatz, Ph.D.

Executive Director

September 6, 2011

Honorable Members of the
City Council of the
City of Los Angeles

CD No. 15

Attention: Mr. Adam Lid, City Clerk's Office

**SUBJECT: CHARTER SECTION 606 – PROPOSED 36-MONTH LEASE
EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER
PROTECTION LABORATORY, TERMINAL ISLAND**

Transmitted herewith, pursuant to Section 606 of the City Charter, is a copy of a Board report, assigned Resolution No. 11-7175, approving the proposed 36-month lease extension for the United States Customs and Border Protection Laboratory, Terminal Island, as approved by the Board of Harbor Commissioners on July 7, 2011.

RECOMMENDATION:

The City Council approve the 36-month lease extension for the United States Customs and Border Protection Laboratory, and return to the Board of Harbor Commissioners for further processing.

Respectfully submitted,

KORLA G. TONDREAULT
Commission Secretary

cc: Trade, Commerce & Tourism Committee
Councilman Rosendahl, encs.
Councilman LaBonge, encs.
Alvin Newman, CAO, encs.
Christine Yee Hollis, CLA, encs.
Lisa Schechter, CD 4, encs.
Robert Henry, encs.

7-7-11
8

RECOMMENDATION APPROVED;
RESOLUTION 11-7157 ADOPTED; AND
AGREEMENT NO. 11-2384A APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

July 7, 2011

Korla Tondreau
SECRETARY

DATE: JUNE 22, 2011

FROM: REAL ESTATE DIVISION

SUBJECT: RESOLUTION NO. 11-7157 - PROPOSED 36-MONTH LEASE
EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER
PROTECTION LABORATORY, TERMINAL ISLAND

SUMMARY:

In 2005, the City of Los Angeles Harbor Department (Harbor Department) entered into a Memorandum of Understanding (MOU) with the United States General Services Administration (GSA), under which GSA quitclaimed the property located at 300 South Ferry Street on Terminal Island to the Harbor Department. As part of that MOU, the Harbor Department agreed to lease back a portion of the facility to GSA for the operation of the United States Customs and Border Protection (CBP) laboratory for up to five years under GSA Lease No. GS-09B-1498 (GSA Lease).

The five-year lease for use of the facility expired on March 22, 2010. GSA has requested a 36-month lease extension, under renegotiated terms and conditions, utilizing GSA's standard Supplemental Lease Agreement No.1 (SLA1). The proposed agreement is structured to provide an incentive to GSA to vacate the premises on or before the end of the three years.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the three-year period lease extension under the Supplemental Lease Agreement beginning March 23, 2010, and ending March 22, 2013;
2. Direct the Board Secretary to transmit the Supplemental Lease Agreement to City Council pursuant to Section 606 of the City Charter;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Supplemental Lease Agreement for lease extension; and
4. Adopt Resolution No. 11-7157.

DISCUSSION:

Background – The lease to GSA commenced following a transfer in ownership of the property from the GSA pursuant to the Harbor Department Agreement No. 2384, in March 2005 at no cost, with the agreement that if GSA vacated the property granted under the GSA Lease by September 23, 2008, the Harbor Department would pay the GSA \$6.3 million, which was the estimated value of the property at the date of transfer.

**SUBJECT: PROPOSED LEASE EXTENSION FOR THE UNITED STATES
CUSTOMS AND BORDER PROTECTION LABORATORY**

Since GSA failed to vacate the property by the above-mentioned date, the Harbor Department did not have to pay \$6.3 million to GSA. The Harbor Department now owns the 9.02-acre property, which has a land value of approximately \$8.6 million, and the potential for greater revenue-producing activities.

The GSA facility is a 222,539 square foot (s.f.) building, of which GSA occupies 30,686 s.f. and 108,276 s.f. of the parking and security area under the GSA SLA1, as depicted in the attached Transmittal 1. The Harbor Department's Port Police uses certain portions of the facility for storage, a training room, and parking associated with such activities. The remainder of the facility is vacant. The GSA Lease period commenced March 23, 2005 and expired March 22, 2010.

Previous Compensation – Under the GSA Lease, GSA's total compensation was based on a flat rate of \$220,000 annually for the utilities and maintenance costs, with no charge for rent on land and improvements. However, the actual utility and maintenance costs amounted to an annual average of \$464,040 for the entire facility. Although GSA only occupies approximately 14 percent of the building, GSA is the primary user of the facility. It is estimated that 90 percent of the utility and maintenance costs are attributable to GSA's operations, with the remaining 10 percent attributable to Port Police's operations. All outstanding compensation shall be paid within 60 days after SLA1 is signed.

Proposed Lease Extension – It is proposed that the GSA occupancy be extended for a period of 36 months, from March 23, 2010 through March 22, 2013, with an option to terminate sooner by GSA upon serving a 30-day written notice. The term reflects the time GSA anticipates it will require to relocate the laboratory, while providing GSA the flexibility to vacate as soon as GSA's new facility becomes available.

Proposed Compensation – It is recommended that annual compensation be established based on GSA's pro-rata share of the actual cost of utility allocations, maintenance services provided by the Harbor Department, and the property rent for the premises, including land and improvements.

GSA will reimburse the Harbor Department for 90 percent of the actual cost of utilities and maintenance services, estimated to be \$417,636, with the Harbor Department being responsible for the remaining 10 percent of the costs attributable to Port Police operations. During its occupancy, GSA will be billed separately for any additional improvements required for fire, life, and safety compliance associated with its use of the facility. The proposed first-year compensation includes a one-time payment of \$25,000 for undergoing improvements.

The proposed rent for the office, laboratory, and loading dock is \$276,174, based on an annual rental rate of \$9 per s.f. determined by a recent market survey. The annual proposed rent for the security and parking area is \$238,207, based on a 10 percent rate of return on a \$22 per s.f. land value. By applying these market values, the total proposed annual property rent is \$514,381. However, in consideration of the substantial increase from its annual compensation of \$220,000, staff recommends

**SUBJECT: PROPOSED LEASE EXTENSION FOR THE UNITED STATES
CUSTOMS AND BORDER PROTECTION LABORATORY**

providing the following discounted property rent for the first two years of the three-year term of the Supplemental Lease Agreement No.1, as follows:

| | Property Rent | Utilities & Maintenance | Compensation |
|---|------------------|----------------------------|----------------|
| GSA Lease – 5 years (03/23/2005-03/22/2010) | 0 | \$1,100,000.00 | \$1,100,000.00 |
| Supplemental Lease Agreement – 3 years | | | |
| First Year (03/23/2010-03/22/2011) | \$77,157.15 | \$442,636.00 | \$519,793.15 |
| Second Year- 1 st half (03/23/2011-09/22/2011) | \$77,157.15 | \$208,818.00 | \$285,975.15 |
| 2 nd half (09/23/2011-03/22/2012) | \$128,595.25 | \$208,818.00 | \$337,413.25 |
| Third Year (03/23/2012-03/22/2013) | \$514,381.00 | \$417,636.00 | \$932,017.00 |
| *First year utilities and maintenance include a one-time \$25,000 charge for life and safety improvements | | | |

The Harbor Department's recovery of direct expenses and escalating property rent over the term of the agreement provides a clear incentive for GSA to relocate its operations as soon as possible. Additionally, if GSA extends its occupancy beyond March 23, 2013, a lump sum in the amount of \$745,852, representing the discount to property rent in the first two years, shall be due and payable.

If and when construction commences in the area labeled as "PLAMT Construction Area," the Lessor shall provide 90 days' notice to GSA prior to construction commencement. Any changes to the perimeter boundary initiated by the Lessor during the term of the extension shall be comparable to the existing fence in terms of height and materials, and shall be constructed by the Lessor at no cost to GSA. GSA will review and approve the specifications of such fence prior to installation. In no event shall such review and approval take longer than 60 days from receipt of fence specifications.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a three-year lease extension with GSA for the continued operation of the CBP laboratory with no change to, or expansion of, use. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct job impact for the five-county region.

FINANCIAL IMPACT:

Provided GSA vacates the subject property at the end of the three-year lease, the financial impact of the proposed three-year lease extension with GSA is that annual compensation payable to the Harbor Department is expected to exceed the current compensation of \$220,000 in the first year by \$299,793; in the second year by \$403,388; and in the third year by \$712,017.

DATE: JUNE 22, 2011

PAGE 4 OF 4

SUBJECT: PROPOSED LEASE EXTENSION FOR THE UNITED STATES
CUSTOMS AND BORDER PROTECTION LABORATORY

CITY ATTORNEY:

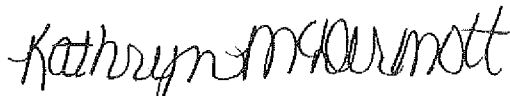
The proposed Supplemental Lease Agreement has been approved as to form and
legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Supplemental Lease Agreement No.1 (SLA1)


FIS Approval : LM (initials)

City Attorney: m (initials)



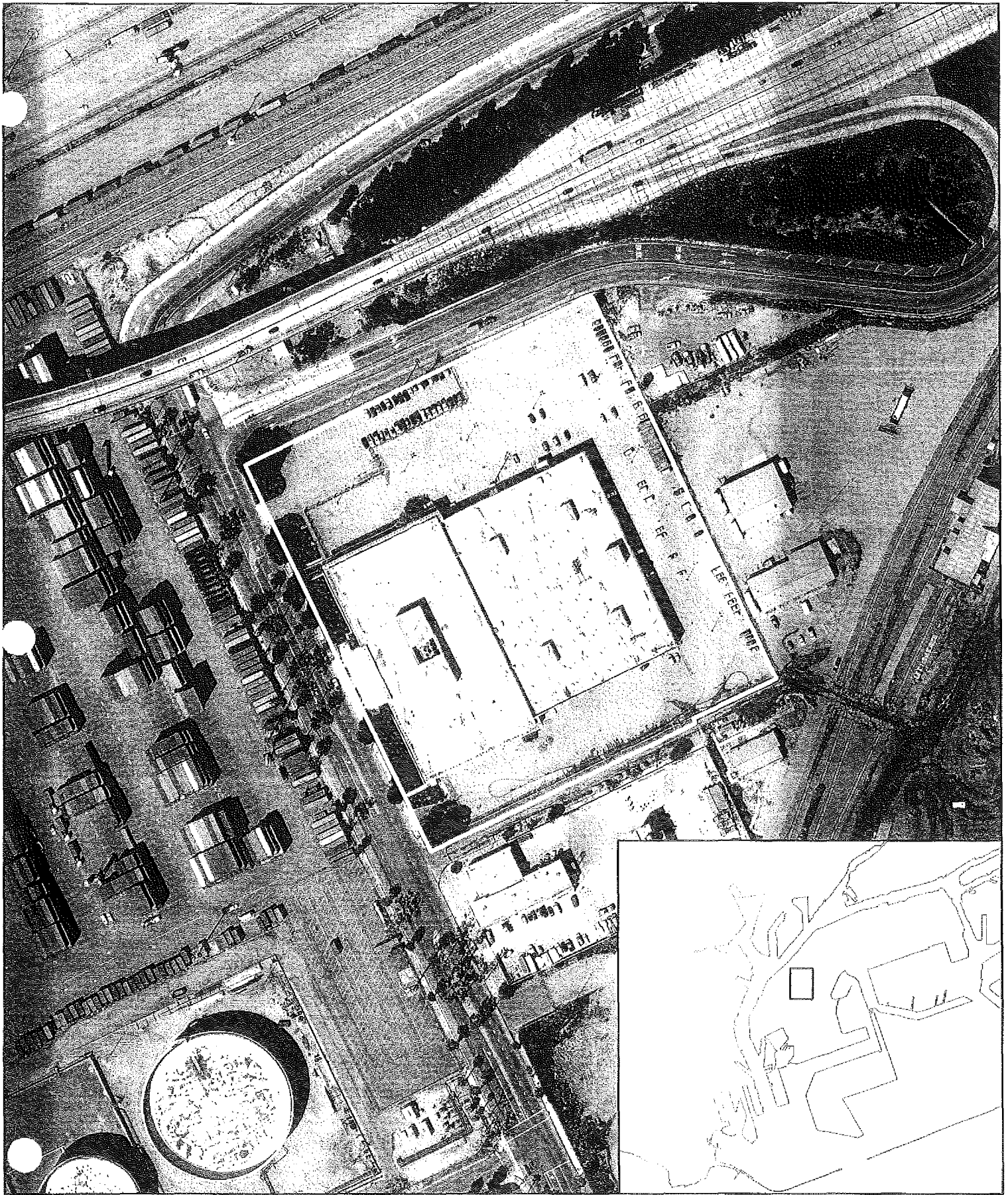
KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:

 FOR
GERALDINE KNATZ, Ph.D.
Executive Director

KM:RG:RV:GTK:raw
Author: G. Koury
BL372raw GSA

U.S. Customs Laboratory – GS, SLA 1



Harbor Department
 Agreement 1-384A
 City of Los Angeles

| | | |
|---|-------------------------------------|------|
| GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE SUPPLEMENTAL LEASE AGREEMENT | SUPPLEMENTAL AGREEMENT No. 01 | DATE |
|---|-------------------------------------|------|

| | |
|--|---------------------------|
| ADDRESS OF PREMISES: 300 South Ferry Street, Terminal Island Los Angeles, California 90731 | TO LEASE NO. GS-09B-01498 |
|--|---------------------------|

THIS AGREEMENT, made and entered into this date by and between: The City of Los Angeles

whose address is: Harbor Department - Port of Los Angeles
 Attn: Real Estate Division
 425 S. Palos Verdes Street
 San Pedro, CA 90731-3309

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended effective March 23, 2010 as follows:

To extend the lease for a period of 36 months; to adjust the termination notice days to 30 days; to increase the annual rental amounts; to establish a base operating cost, and to correct Lessor name as reflected herein.

Part II A, Part II B, and Part II C are deleted in their entirety and substituted therefore. Exhibit A has been deleted and substituted by Exhibit B. Paragraphs 20, 21, 22, and 23 are added.

Part II A:

The Lessor hereby leases to the Government the following described premises:

30,686 rentable square feet (r.s.f.), yielding approximately 25,576 ANSI/BOMA Office Area square feet and related space located on the 1st Floor at the U.S. Customs House, 300 South Ferry Street, Los Angeles, California, 90731-9995. The loading dock(s) and all parking located within the fenced and secured area of the building, as depicted in Exhibit B (attached), along with the portable building at rear of leased premise labeled "ICE," and except as provided for Port Police, are for the exclusive use of the Government during the Government tenancy.

Part II B:

TO HAVE AND TO HOLD the said premises with their appurtenances for the term beginning March 23, 2005 and terminates no later than March 22, 2013, subject to termination and renewal rights as may be hereinafter set forth.

The terms and conditions in this SLA No. 1 supercede the referenced terms and conditions in the Lease. All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: The City of Los Angeles by Its Board of Harbor Commissioners

BY _____
 (Signature)

Executive Director
 (Title)

APPROVED AS TO FORM AND LEGALITY

June 14, 2010

CARMENA TRUTANICH, City Attorney

By *[Signature]*
Deputy City Attorney

IN THE PRESENCE OF (witnessed by:)

 (Signature)

 (Address)

UNITED STATES OF AMERICA, General Services Administration, Public Buildings Service.

BY _____
 (Signature)

Contracting Officer
 GSA, PBS, RED

SHEET NO. 1 ATTACHED TO SUPPLEMENTAL LEASE AGREEMENT NO. 1 AND MADE A PART OF LEASE NO. GS-09B-01498

Part II C:

The Government shall pay the Lessor the annual rent comprised of rent (discounted for first two years of the extension term) and utilities and maintenance costs. Rent is payable in arrears. Rent for a lesser period shall be prorated. Back rent shall be paid within 60 days after SLA No. 1 is fully executed.

| Months | Period | Total Annual Rent | Monthly Rent |
|---------|--------------------------------------|-------------------|--------------|
| 1 - 60 | March 23, 2005 to March 22, 2010 | \$220,000.00 | \$18,333.33 |
| 61 - 72 | March 23, 2010 to March 22, 2011 | \$519,793.15 | \$43,316.10 |
| 73 - 78 | March 23, 2011 to September 22, 2011 | \$571,950.30 | \$47,662.53 |
| 79 - 84 | September 23, 2011 to March 22, 2012 | \$674,826.50 | \$56,235.54 |
| 85 - 96 | March 23, 2012 to March 22, 2013 | \$932,017.00 | \$77,668.08 |

Rent checks shall be made payable to:

City of LA – Harbor Department
P.O. Box 514300
Los Angeles, California 90051-4300

Name and address of owner is corrected as follows:

The City of Los Angeles
Harbor Department – Port of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90731-3309

Paragraph 20:

The "Operating Costs Base" is established at \$13.61 (\$417,636.00 per annum) per rentable square foot per annum.

Paragraph 21:

The Government may terminate this lease at any time on or after March 23, 2010, by giving at least 30 days notice in writing to the Lessor. No rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.

Paragraph 22:

If and when construction commences in the area labeled as "PLAMT Construction Area," the Lessor shall provide 90 days notice to the Government prior to construction commencement. Any changes to the perimeter boundary initiated by Lessor during the term of the extension shall be comparable to the existing fence in terms of height and materials, and shall be constructed by Lessor at no cost to the Government. The Government will review and approve the specifications of such fence prior to installation. In no event shall such review and approval take longer than 60 days from receipt of fence specifications.

Paragraph 23:

The shell component of the rental amounts in paragraph Part II C has been reduced for the following periods:

| Months | Period | Shell Rental Credit |
|---------|--------------------------------------|---------------------|
| 61 - 72 | March 23, 2010 to March 22, 2011 | \$437,223.85 |
| 73 - 78 | March 23, 2011 to September 22, 2011 | \$180,033.35 |
| 79 - 84 | September 23, 2011 to March 22, 2012 | \$128,595.25 |

LESSOR INITIAL: _____
GOV'T INITIAL: _____

**SHEET NO. 2 ATTACHED TO SUPPLEMENTAL LEASE AGREEMENT NO. 1 AND MADE A PART OF
LEASE NO. GS-09B-01498**

In the event the Government does not vacate by the lease expiration date of March 22, 2013, a lump sum of the rental credit in the amount of \$745,852.45 shall be due and payable to the Lessor on or before May 31, 2013. This shall not preclude the Lessor from pursuing any and all rights and remedies subsequent to lease expiration.

LESSOR INITIAL: _____
GOV'T INITIAL: _____

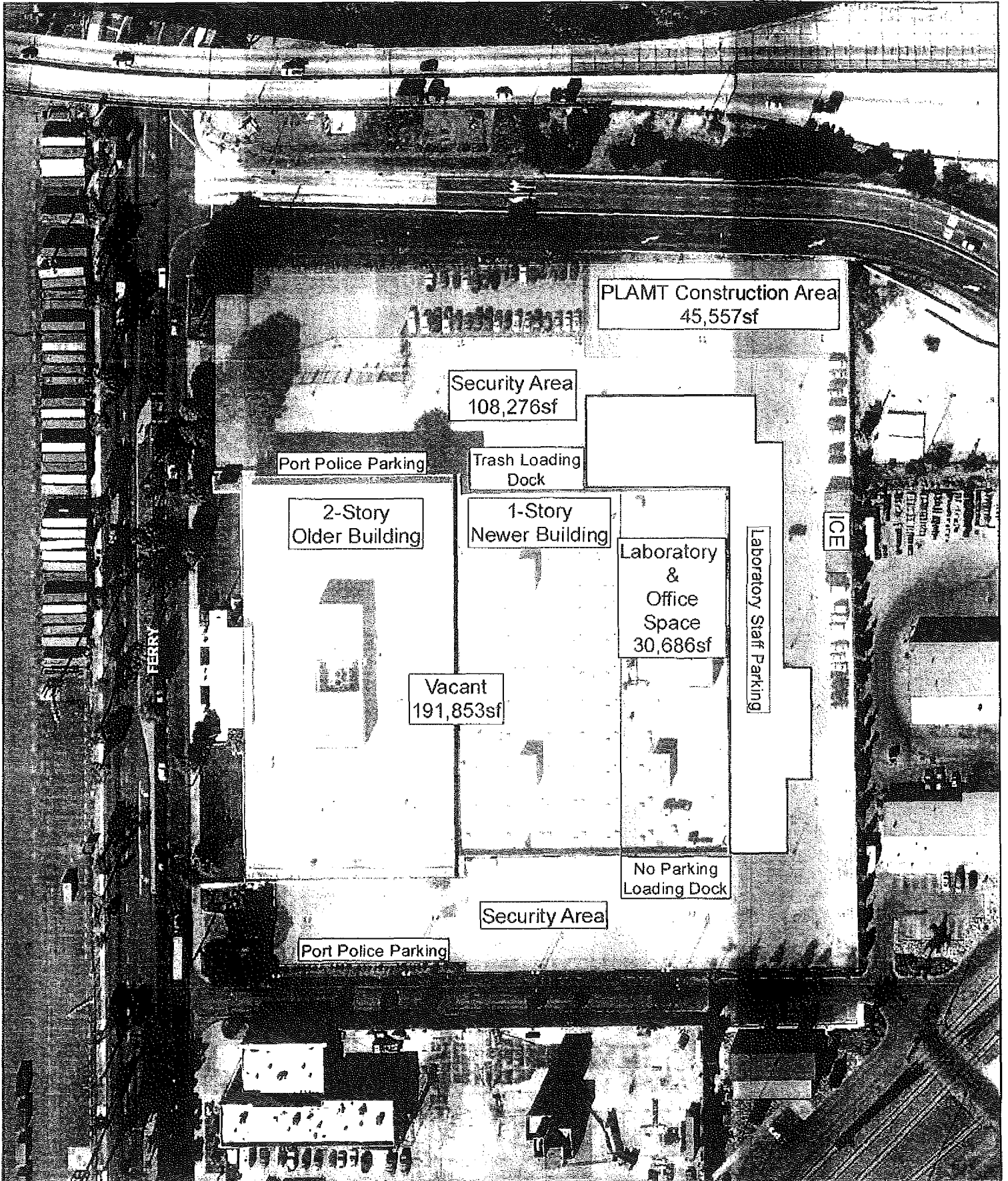


Exhibit B



Harbor Department
 Planning & Economic Development
 Map Produced 6/2010



0150-09619-0000

TRANSMITTAL

| | | |
|--|----------------------------|------------------|
| TO Geraldine Knatz, Ph.D., Executive Director Executive Director | DATE AUG 23 2011 | COUNCIL FILE NO. |
| FROM The Mayor | COUNCIL DISTRICT 15 | |

**PROPOSED 36-MONTH LEASE EXTENSION FOR THE UNITED STATES CUSTOMS
AND BORDER PROTECTION LABORATORY, TERMINAL ISLAND**

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.



Matt Karatz

MAYOR

MAS:ABN:10120017t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 17, 2011

CAO File No. 0150-09619-0000

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MPC*

Reference: Transmittal from the Harbor Department dated July 18, 2011; referred by the Mayor for report on July 21, 2011

Subject: **PROPOSED 36-MONTH LEASE EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER PROTECTION LABORATORY, TERMINAL ISLAND**

SUMMARY

The Harbor Department (Port) requests approval of Resolution No. 11-7157 to continue a Memorandum of Understanding (MOU) with the United States (U.S.) General Services Administration (GSA) to authorize Port Agreement (Agreement) No. 11-2834A for a 36-month lease extension for a U.S. Customs and Border Protection (CBP) Laboratory on property located at 300 South Ferry Street on Terminal Island within the City of Los Angeles. In 2005, GSA determined that CBP Laboratory located on Terminal Island was surplus government property and available for disposal through a no-cost public benefit transference.

Port entered into the Agreement with GSA through a MOU to quitclaim, or transfer the property rights, and lease back a portion of the facility to the GSA for the continued occupancy of the CBP Laboratory for up to five years or until the lab relocates. The term of the original Agreement was from March 23, 2005 through March 22, 2010. The Port is requesting an extension of the term of the proposed lease agreement by 36 months, retroactively from March 23, 2010 through March 22, 2013, under revised negotiated terms and conditions. According to the Port, the retroactive approval was due to lengthy negotiations on the new terms with GSA and a late start to the negotiations due to timing uncertainty by GSA to secure a replacement site for the CBP Laboratory. The renegotiated terms will include Port discounts for future expense accounts and an incentive provision for GSA to vacate the facility occupied by its CBP Laboratory on or before the proposed 36-month extension.

BACKGROUND

In March 2005, the GSA entered into an original Agreement with the Port to transfer ownership or property rights of approximately 9 acres of federal surplus property through a quitclaim deed. Since the land had been declared surplus federal property, the Port could acquire the property at no cost as long as it is used for a Port use. Otherwise, the land could revert to the federal government. The leaseback arrangement protects the continued occupancy of the CBP Laboratory until it relocates to a new facility. The property contained a 222,539 square foot facility, which included offices occupied

by GSA and parking and security areas. GSA was required to only pay for overhead costs to service the space for the CBP Laboratory.

Although the original Agreement was supposed to expire in March 2010, the Port had requested that GSA vacate the property in September 2008. The Port agreed to pay \$6.3 million if GSA could identify a relocation site for the CBP Laboratory to a new facility by September 2008. The \$6.3 million for the GSA property was the estimated value of the property at the date of the transfer to the Port. However, if GSA failed to relocate its facility within the designated date, the Port would not be obligated to pay them the \$6.3 million, but GSA's lease would remain in effect until the expiration of the lease term of March 22, 2010. Since GSA had not vacated the property by that date, the Port took legal ownership of the GSA property. Under the original Agreement, GSA shared the use of the facility with the Port Police, which used portions of the facility for its storage, training room and parking. However, GSA was considered the primary user of the facility and paid 90 percent of the annual utilities and maintenance costs. The Port Police paid the remaining 10 percent. Since a new Port Police building will be opening later in 2011, the Port will be able to use the facilities for other activities. According to the Port, the appraised value of the GSA property increased to \$8.6 million.

PROPOSED LEASE EXTENSION

GSA is requesting to extend its MOU with the Port to provide additional time to relocate its CBP Laboratory to a new GSA facility. The Port is requesting an extension of the term of the proposed lease agreement by a proposed 36 months, retroactively from March 23, 2010 through March 22, 2013. GSA will have an option to terminate the lease prior to the expiration date with a 30-day written notice to the Port. Annual compensation to the Port will be based on the pro-rated costs of utility and maintenance costs and rent for the office building, land, parking areas, security and any additional improvements. The rental rate for all 36 months will be based on recent market surveys. The Port will pay approximately 10 percent of the utility and maintenance costs attributable to Port Police operations. The Port Police's cost for utilities and maintenance expenses is estimated at approximately \$42,000 per year. GSA has agreed to reimburse the Port for approximately 90 percent of the costs for each year of the 36-month supplemental lease agreement for rent, utilities and maintenance costs. According to the Port, GSA will be billed separately for additional costs to improvements for fire, life and safety compliances associated with any use of the facility. Below is a general breakdown of costs for the original and the proposed lease extension:

| GSA: Terms of Lease | Rent (+) | Annual Utilities & Maintenance Cost | Total Compensation | Differential (from \$220,000) |
|-------------------------------------|------------------|--|---------------------------|--------------------------------------|
| 5-Year Lease (3/2005-3/2010) | 0 | \$220,000 | \$1,100,000 | -- |
| 3 Year Lease Extension | | | | |
| First Year: (3/2010-3/2011) | \$77,157 | \$442,636 | \$519,793 | \$299,793 |
| Second Year: (3/2011-9/2011) | \$77,157 | \$208,818 | \$285,975 | |
| (9/2011-3/2012) | \$128,595 | \$208,818 | \$337,413 | |
| | | | | \$403,388 |
| Third Year: (3/2012-3/2013) | \$514,381 | \$417,636 | \$932,017 | \$712,017 |
| Estimated Total | \$797,076 | | \$3,175,198 | \$1,415,198 |

In the original lease agreement, GSA paid the Port for utilities and maintenances costs in the amount of approximately \$220,000 per year, for five years, for a total cost of \$1.1 million. The original agreement did not include any cost for rent. The proposed 36-month lease extension for GSA will include expenses for annual utilities and maintenance and rent. For the First and Second Year of the proposed 36-month lease extension, the Port recommends providing a discount to GSA for an increase to its rental, utilities and maintenance costs. In the proposed lease agreement, the annual compensation will exceed the \$220,000 per year that GSA had paid during the first five years of the lease agreement. The rental rates for the property are based on market surveys. According to the Port, if GSA extends its lease agreement beyond the March 23, 2013 expiration date, GSA will be responsible to pay the Port a lump sum amount of \$745,852 for the discount to expenses that it received for the first two years of the lease. In addition, the Port states the increase in expense to GSA for rent and other expenses and the potential lump sum incentive funding will only be available if GSA relocates the CBP Laboratory before the lease expiration date in March 2013. If the Port decides to use the property for any type of development near the space that GSA currently occupies, the Port must provide GSA with a 90-day notice for review and approval.

Before the quitclaim occurred, the Port had twice expressed interest in buying the land from GSA because the land is within the jurisdictional area of Port property and can be used for future development. The Port states that extending the lease agreement with GSA will allow the Port to collect overhead expenses and be in a position to develop beyond the lease expiration of March 2013 when the CBP Laboratory vacates the land once they relocate to a new facility.

The City Attorney has approved the proposed continuation of the MOU with GSA and Port Agreement No. 11-2834A for a 36-month lease extension for the CBP Laboratory as to form and legality. Since the proposed agreement is a property lease, the request is not subject to the provisions of Charter Section 1022. The Director of Environmental Management has determined that the proposed action is the approval of a 36-month lease extension with GSA for the continued operation of CBP Laboratory and is therefore exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

RECOMMENDATION

That the Mayor:

1. Approve Harbor Department (Port) Resolution No. 11-7157 to continue a Memorandum of Understanding with the United States General Services Administration to authorize Port Agreement No. 11-2834A for a 36-month Lease Extension for a U.S. Customs and Border Protection Laboratory on property located at 300 South Ferry Street on Terminal Island in the City of Los Angeles; and
2. Return the proposed Lease Extension to the Port for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed 36-month lease extension with the U. S. General Services Administration (GSA) will allow them to remain on property quitclaimed by the Harbor Department (Port) and leased back to GSA until or before March 22, 2013, at which time the Port is anticipated to have full ownership of the property. In the interim, GSA has already paid overhead expenses of approximately \$1,100,000 for five years and will pay the Port additional overhead expenses of \$2,075,198 for a total of \$3,175,198 for up to an eight-year lease agreement. All additional funds will be deposited into the Harbor Revenue Fund. There is no impact to the City General Fund.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," and the Los Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes actions disapproving a contract that is longer than five years within 30 days after submission to Council, the contract will be deemed approved.

MAS:ABN:10120017