

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: November 15, 2013

To: The City Council

From: Gerry F. Miller, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer

Subject: **LEASE AND EASEMENTS OF THE MANGROVE SITE TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

SUMMARY

On March 6, 2013, the Council authorized the General Services Department (GSD), with the assistance of the Chief Legislative Analyst (CLA), City Administrative Officer (CAO) and City Attorney to negotiate and prepare the necessary documents between the City and the Los Angeles County Metropolitan Transportation Authority (LACMTA) to effectuate the sale and lease of the property at First Street and Alameda (former Mangrove site) to be used as a construction staging and lay down area and construction offices for the Regional Connector Light Rail Project (Regional Connector) (C.F. 13-0275). In addition, GSD was authorized to begin tenant improvement work at the former medical services building located on the site to be used as construction offices for the Regional Connector and to be funded by LACMTA in advance.

City staff with assistance of the City Attorney recently concluded the negotiations with LACMTA. At this time, we are transmitting for approval the "Overarching Agreement" entitled "Agreement Regarding Mangrove Properties and Joint Escrow Instructions", including various real estate documents, to be executed between the City and LACMTA. Once the report is approved, LACMTA will be authorized to utilize the building parcels portion of the property, for up to eight months on a month to month lease at a cost of \$57,115 per month for use as LACMTA's temporary construction field office for the Regional Connector. In addition, this report also requests approval and execution of real estate documents and authorizes the City and LACMTA to close escrow on the sale and lease of the Mangrove property. Under the "Overarching Agreement", the City will provide the land and designate a permanent street right-of-way and convey to LACMTA permanent subsurface easements, and temporary use (up to eight years) of the majority of the surface of the site, in exchange for a one-time payment of \$22,341,751, to be made to the City on or before June 30, 2014. LACMTA may exercise three one-year options to extend the term of the agreement, based on updated appraisals, should LACMTA need additional time to finish the project. Once LACMTA completes construction of the Regional Connector and returns the surface portion of the site granted for temporary use, the City will regain control of those parcels and be able to proceed with development of the

site, consistent with necessary allowances made for the existence of the permanent tunnel easement.

TERMS

- The Mangrove site is a 256,169 square feet or 5.85 acre site located east of Alameda between First and Temple Streets which was purchased with Special Parking Revenue Fund (SPRF) bonds. Of the total 256,169 square feet, LACMTA requires a total of 36,165 surface and sub-surface square feet on a permanent take basis, and will lease the balance of 220,004 surface area square feet, plus the on-site building, for various other time periods up to eight years. The permanent takes that LACMTA requires are 14,335 square feet of the City property in fee as part of a designated roadway right of way on the south side of the parcel, to expand north of First Street; plus, an additional 21,830 square feet in subsurface or tunnel easement on the west side of the parcel. A breakdown of the proposed temporary and permanent easements, duration of the various components of the deal and total compensation are detailed in the overarching agreement attached to this report, and summarized as follows:

| Component | Duration | Sq. Ft | Amount |
|------------------------------------------------|--------------|----------------|---------------------|
| Temporary Construction Easement (two) | 5, 8 years | 174,370 | \$12,362,600 |
| Temporary Lease of Building Parcels* | 8 plus years | 33,913 | \$3,850,507 |
| Permanent Roadway (Public Street) Right of Way | Permanent | 14,335 | \$2,260,565 |
| Permanent Subsurface/Tunnel Easement | Permanent | 21,830 | \$2,513,514 |
| Temporary Public Utility Easement | 8 years | 11,721 | \$1,354,565 |
| Totals | | 256,169 | \$22,341,751 |

** Building parcels to be leased on a month to month basis and then converted to 8 year term upon close of escrow.*

- LACMTA will take possession of the building parcels on a month to month basis at \$57,115 per month effective with Council's approval of this report, expected around mid-November 2013 and full possession of the remaining site upon closing of escrow and LACMTA making a lump sum payment of \$22,341,751 to the City between March 2014 and June 2014. LACMTA payment for the sale and lease is detailed in the Agreement Regarding Mangrove Properties and Joint Escrow Instructions and Office Lease.
- The City will retain parking operations and revenue at the site until the close of escrow of the entire property.
- An ordinance will be needed to expand the street upon completion of the construction.
- In the event LACMTA needs to extend the Temporary Construction Easements, the City and LACMTA will negotiate the value of the extension based on updated appraisals.

The LACMTA Board approved funds in the amount of \$22,341,751 for this purpose at its February 2013 meeting. These funds were included as revenue in the FY 2013-14 City Budget and anticipated for use in the redemption of SPRF bonds. As planned, the City began the process for redemption of the SPRF bonds and now require the deposit of funds. The additional monthly rent revenue of \$57,115, for use of the building and related parcels until such time that LACMTA takes full possession of the entire lot, is unanticipated revenue to the Department of Transportation, Special Parking Revenue Fund that will be used to further reduce SPRF related debt. Our Offices recommend that this transaction be approved as this proposal provides a mutual benefit to the City and LACMTA.

FISCAL IMPACT

There is no negative impact on the General Fund. The monthly rent revenue of \$57,115 is unanticipated new revenue to the Department of Transportation that will be used to further reduce SPRF related debt. The \$22,341,751 lump sum payment was anticipated and instructions on disposition of the funds were included in the FY 2013-14 Adopted Budget.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Determine under the California Public Resources Code, on the basis of substantial evidence contained in the whole record, that since Council's March 6, 2013, approval of the Regional Connector Light Rail Project, including the transfer of all property rights which are now back before Council for final implementation, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which gives rise to the need for additional environmental analysis;
2. Approve the Overarching Agreement entitled "Agreement Regarding Mangrove Properties and Joint Escrow Instructions", in substantial conformance, for the total amount of \$22,341,751 for two temporary construction easements, one building parcel lease at \$57,115 per month for up to eight months, one permanent subsurface or tunnel easement, one temporary public utility easement and one permanent roadway dedication, as detailed in the Attachments to the document, and authorize the General Managers of the Department of Transportation and Department of General Services to execute, subject to the approval of the City Attorney as to form and legality;
3. Instruct the Department of Transportation to deposit payment from the Los Angeles County Metropolitan Transportation Authority totaling \$22,341,751 as well as the monthly rent revenue of \$57,115 into the Special Parking Revenue Fund Number 363, Department 94, Revenue Source Code 5188OT, Miscellaneous Revenues, as payment for the Mangrove Parcel per the Adopted Budget;
4. Instruct the Controller to transfer cash totaling \$22,341,751 and each month's rent revenue of \$57,115 from the Special Parking Revenue Fund Number 363, Department 94, Revenue Source Code 5188OT, Miscellaneous Revenues, to the Capital Finance Administration Fund Number 100, Department 53, Account 0345, Refinancing of Parking Revenue Bonds Commercial Paper, for the payment of debt service per the Adopted 2013-14 Budget;
5. Find that the public interest, convenience and necessity require that a re-designation for public street purposes over the land described and designated as parcels RC-469 and RC-477 owned by the City after completion of construction, be dedicated and set aside as part of First Street, a public street of said City and instructs the General Services Department to pursue and assist in the processing of a final ordinance with the Department of Public Works, Bureau of Engineering for the opening of said Street;
6. Find that the public interest, convenience and necessity require that a tunnel easement deed over the land described and designated as parcels RC469-1, RC-470, RC-471 and RC-472 owned by the City, be conveyed to LACMTA after close of escrow to provide rail transit improvements for mass transit operations and hereby; instruct the

City Attorney to prepare the necessary ordinance for conveyance of the Tunnel and Utility Easement by Deed; and

7. Authorize the Chief Legislative Analyst and City Administrative Officer to make technical corrections, as necessary, to those transactions included in this report to implement the Mayor and Council's intentions.

Attachments

Agreement Regarding Mangrove Properties and Joint Escrow Instructions

GFM:MAS/is:jvw

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