

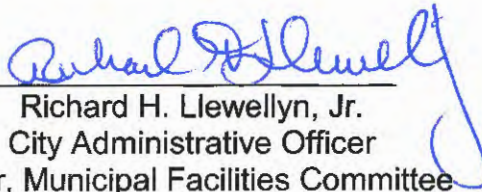
0220-05269-0006

**TRANSMITTAL**

|  |                  |                             |
|--|------------------|-----------------------------|
| TO<br>Council                          | DATE<br>06-06-18 | COUNCIL FILE NO.<br>13-1641 |
| FROM<br>Municipal Facilities Committee |                  | COUNCIL DISTRICT<br>All     |

At its meeting of May 31, 2018, the Municipal Facilities Committee approved recommendations in the attached General Services Department (GSD) report and instructed staff to transmit to Council for consideration. Council approval of the report recommendations would authorize GSD to negotiate and execute a new license agreement with the Southern California Railroad Authority. The proposed license will be for an automatically renewing one year term. The rental rate will begin at \$15,000 per year and increase annually by three percent. The license will include a 90 day right of termination by either party

Fiscal Impact Statement: Approval of the recommendations in this report would result in \$15,000 in increased revenue to the General Fund. This represents a \$6,840 increase (or 83.8%) over the current rate of \$8,160.

  
Richard H. Llewellyn, Jr.  
City Administrative Officer  
Char, Municipal Facilities Committee

RHL:VBN:15180114

Attachment

CITY OF LOS ANGELES  
CALIFORNIA

Agenda Item No. 17

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT



ERIC GARCETTI  
MAYOR

DEPARTMENT OF  
GENERAL SERVICES  
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CITY HALL SOUTH  
111 EAST FIRST STREET  
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May 31, 2018

Honorable City Council  
City of Los Angeles  
c/o City Clerk  
Room 395, City Hall  
Los Angeles, CA 90012

Attention: John White, Legislative Assistant

**AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW LICENSE  
AGREEMENT WITH THE SOUTHERN CALIFORNIA RAIL ROAD AUTHORITY**

The Department of General Services (GSD) request authority to negotiate and execute a new license agreement with the Southern California Rail Road Authority (SCRRA), aka Metrolink, located at Taylor Yard G2 Parcel (G2) for the Tail Track (Tail Track) area located along the southwest portion of the site.

The Tail Track is 1,020 feet long extending from the southern tip of the property, across the roadway easement (Kerr Road) and along the west side of the property [Zone CO469, Yard 51, Track 566 located at or near M.P. 4, SCRRA-Valley Subdivision, Taylor Jct., California (APN 5442-002-823, 5442-002-803)]. A tail track is defined as a railroad track just beyond, or adjacent to, the end of a railroad line that can be used for emergencies, storing trains, locomotives and rail cars.

**BACKGROUND**

On June 27<sup>th</sup>, 2017, the City purchased G2 (C.F. 13-1641) from Union Pacific Railroad Company (UP). The purchase is part of the Los Angeles River's (River) Revitalization Master Plan. The City was assigned and assumed the Tail Track Lease Agreement between UP and SCRRA during the purchase of G2. The current lease is a one year auto-renewing term that renews on May 29<sup>th</sup> at a rate of \$8,160 with no definite end date. The current lease provides SCRRA exclusive use rights and includes a 30 day termination right by either party.

The intent behind remediation and interim designs is to utilize the clean areas of the site first while remediation takes place in the more contaminated areas. The Bureau of Engineering (BOE) is working under the supervision of the State of California Department of Toxic Substances Control (DTSC) and uses will need to be approved by DTSC before the public is allowed on site.

In a separate, but coordinated effort, BOE is currently in the design phase for a bikeway/pedestrian bridge over the LA River to connect the bike path at San Fernando Road with the LA River Bikeway. Current design plans call for construction laydown areas adjacent to the Tail Tracks, as well as an on-grade railroad crossing with the existing Tail Tracks. Construction of the bridge is slated to begin in summer 2018 with an estimated completion at the end of 2020. The current lease does not allow certain City use rights to accomplish work in relation to the planned pedestrian bridge, site investigation, pre-design concepts and site remediation.

Furthermore, SCRRA purchased an additional Tail Track Easement from the previous land owner on the east side of the property to permanently relocate their Tail Tracks. However, SCRRA advises \$12 million is needed to construct the necessary infrastructure for relocation. The current design includes construction of an additional separate bridge over Kerr Road, adjacent to an existing bridge, to accommodate one set of Tail Tracks.

GSD recommends the current lease be terminated and replaced with a license to facilitate the City's use rights to the site. The new one year license will raise the rental rate to market. It will automatically renew annually at an increased rental rate of \$15,000 per year. This license term provides the greatest flexibility for the City's planned operations, site remediation, river pedestrian bridge project and other site activities by including a City use provision and a 90 day termination right by both parties.

### **MARKET ANALYSIS**

On April 5<sup>th</sup>, 2017, the Department of General Services Real Estate Services Division issued a Class "C" appraisal estimate of the market rental rates for the Taylor Yard G2 Parcel for the Tail Track area. The method used to derive the rental market value of the Tail Track area was a rate of return on land. Based on G2's sales price of \$59,315,000 less covered remediation expenses of \$14,715,000 totaling \$44,600,000, and total square footage of 1,820,677, the suggested price per square foot (sq. ft.) is \$24.50. Suggested value assigned to the Tail Track lease area of \$24.50/sq. ft. is: 10,200 sq. ft. X \$24.50/sq. ft. = \$249,900.

Based on the second quarter of 2016 U.S. Industrial Market Research & Forecast Report by Colliers International, the Los Angeles-Inland Empire average capitalization rate was 6.3%. A 6% capitalization rate was used as an appropriate rate of return due to the specific location of the subject property and its proximity to downtown Los Angeles. (The lower the capitalization rate, the higher the suggested value of property). Therefore, the yearly rental amount utilizing a 6% land capitalization rate results in a \$15,000 annual rental amount. [ $\$249,900 \times 6\% = \$15,000$ ].

The license will contain the following:

### **TERMS AND CONDITIONS**

LOCATION: Taylor Yard G2 Parcel Tail Track (APN 5442-002-823, 5442-002-803)

LANDLORD: City of Los Angeles

USE: Rail Road Tail Tracks

SQUARE FEET: Approximately 1,020 linear feet (10,200 sq. ft.)

TERM: One Year Annually Renewing

HOLDOVER: N/A

OPTION TERM: N/A

TERMINATION: 90 days by either party

RENTAL RATE: \$15,000/Year with a 3% annual increase

ADDITIONAL RENT: N/A

SECURITY DEPOSIT: No security deposit required.

UTILITIES: All utilities will be paid by Tenant and separately metered.

PARKING: N/A

TENANT IMPROVEMENTS: All Tenant improvements will be at the sole cost of the Tenant.

MAINTENANCE: All maintenance to the Premises will be at the sole cost of the Tenant.

ANNUAL REVIEW: Parties obligated to meet annually to review License & discuss helpful amendments.

#### FISCAL IMPACT

The annual base revenue generated to the General Fund from a new license agreement will be \$15,000. This represents an 83.8% increase over the current rate. Under the current terms, the tenant pays an annual rental rate of \$8,160. A rental rate increase will occur annually at the rate of 3%.

#### RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a new license agreement under the terms and conditions outlined herein with the Southern California Rail Road Authority for a Tail Track in order to execute the proper planning, coordination, and management of the City's Taylor Yard G2 Parcel and the Los Angeles Rivers Revitalization Master Plan.



Tony M. Royster  
General Manager