

CITY OF LOS ANGELES  
CALIFORNIA

Agenda Item No. 5

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT



ERIC GARCETTI  
MAYOR

DEPARTMENT OF  
GENERAL SERVICES  
ROOM 701  
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LOS ANGELES, CA 90012  
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February 27, 2020

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

Attention: Armando Bencomo, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A LICENSE  
WITH J.R. PIPELINE COMPANY, INC. FOR 5975 SOUTH WESTERN AVENUE**

The Department of General Services (GSD) requests authority to negotiate and execute a license with J.R. Pipeline Company, Inc., to place temporary City of Los Angeles and contractor field offices and an equipment yard, on the dirt portion of 5975 South Western Avenue, Los Angeles, CA 90047 (Western Lot).

**BACKGROUND**

At the request of Council District 8, GSD was asked to negotiate a license agreement with J.R. Pipeline Company, Inc., for the use of the dirt portion of the Western Lot as construction offices and equipment yard. The Bureau of Engineering (BOE) contractor will work nearby, on the City's pending 74<sup>th</sup> Street Sewer Rehab project.

**TERMS AND CONDITIONS**

The license is for one year with a six-month extension option. The license fee will generate \$60,000 and, if the six-month option is exercised, an additional \$31,000 will be generated. The licensee will be responsible for tenant improvements. A complete set of terms and conditions are outlined on the attached term sheet.

**MARKET ANALYSIS**

The proposed use is industrial in nature. However, there is no data available for comparable vacant industrial lots. A market analysis was instead conducted for industrial properties



with structures within one mile of the Western Lot revealing a market rate ranging from \$0.75 - \$1.15 per square foot (PSF) and averaging \$0.93/PSF. Structures increase the rental rate by approximately 50 percent. Therefore, based on the recent market analysis, the proposed PSF for similar locations and type of industrial property space range from \$0.78 - \$1.15.

#### Market Rate – Industrial Properties Rental Comparisons

Address	Rental Rate	Rentable Square Footage
2000-2010 W 62 <sup>nd</sup> Street	\$1.00 - \$1.15/PSF	3,537
2001 W Gage Avenue	\$1.03/PSF	12,600
6007 S St. Andrews Place	\$0.78 - \$0.85/PSF	49,606
5955-5959 S Western Avenue	\$0.83 - \$1.00/PSF	49,606
6121 S Western Avenue	\$0.75 - \$0.92/PSF	3,600

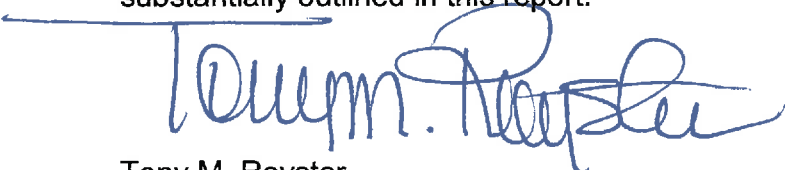
Although the proposed \$0.19 PSF fee for the use of the subject property is outside of the low range of comparable commercial sites, the space has been vacant for over a decade, is an undeveloped street lot that will be used temporarily to serve as construction offices for City employees, as well as the contractors, and the sewer project will benefit the City and the community. The price equals \$5,000 per month, which will be paid in one lump sum of \$60,000 for the first year of the contract.

#### FISCAL IMPACT

The fee of this license will generate a minimum revenue of approximately \$60,000 annually, in one lump sum, once the license is attested. In addition, should the extension option be exercised, there will be an additional yield of \$31,000 in the final six months of the lease. As the property was initially purchased with Prop F funding, the proceeds of the lease will return to Prop F.

#### RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a license with J.R. Pipeline Company, Inc., for 5957 South Western Avenue under the terms and conditions substantially outlined in this report.

  
Tony M. Royster  
General Manager

Attachment: Term sheet

## LEASING TERM SHEET

MFC DATE 02/27/2020

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LANDLORD City of Los Angeles

ADDRESS 111 E 1st Street, Los Angeles, CA 90012

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TENANT J.R. Pipeline Company Inc.

ADDRESS 1530 Nandia Avenue, Perris, CA 92571

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LOCATION 5975 South Western Avenue, Los Angeles, CA 90047

AGREEMENT TYPE Receivable Lease

USE Construction Field Office and Equipment Yard

SQUARE FEET Approximately 26,684

TERM One (1) Year

RENT START DATE Date Attested

LEASE START DATE Date Attested

OPTION TERM One (1) six (6) month option

HOLDOVER

SUBLET/  
ASSIGNMENT No Right to Sublease/Assign

TERMINATION The City may terminate License with a thirty (30) day notice

RENTAL RATE \$60,000.00 annually / \$5,000.00 monthly

ESCALATION 3% annually

RENTAL ABATEMENT None

ADDITIONAL RENT N/A

PROPERTY TAX N/A

OPEX N/A

CAM N/A

OTHER	N/A
SECURITY DEPOSIT	N/A
MAINTENANCE/ REPAIR	Tenant
MAINTENANCE/ REPAIR DETAILS	Licensee at its sole cost and expense shall be responsible for improvements and the maintenance of its equipment and improvements
TENANT IMPROVEMENTS	Tenant will place one (1) trailer and will arrange a temporary electrical drop with LADWP.
PARKING	Right to park vehicles during term of the Lease
UTILITIES	Tenant is responsible for utilities
CUSTODIAL	N/A
SECURITY	N/A
PROP 13 PROTECTION	Other
INSURANCE	Tenant shall indemnify and hold harmless the City
OTHER:	