

# CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI  
MAYOR

Agenda Item No. 2

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AND  
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DEPARTMENT OF  
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May 27, 2021

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

Attention: Michael Espinosa, Legislative Assistant

## **REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A NEW GROUND LEASE WITH THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AT 5820 NORMANDIE BLVD, LOS ANGELES, CA, 90047**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with the Los Angeles County Metropolitan Transportation Authority ("LACMTA") (Lessor), for land located at 5820 Normandie Boulevard, Los Angeles, CA 90047.

### **BACKGROUND**

On October 1, 2020, City Council approved various recommendations from the L.A. for Kids Steering Committee related to the Southern Pacific Trails Project, a Proposition K (Prop K) Specified Project in Council District 9 (C.F. 20-1194). The scope in the Prop K Ballot Measure for the Southern Pacific Trails Project is beautification of the railroad right-of-way, landscaping, trails, and irrigation. Council also instructed GSD to proceed with negotiations with LACMTA to execute a long-term lease for the proposed site for the Southern Pacific Trails Project. Co-located on this site will be the "Slauson Connect" project, which is a proposed joint venture between the City and LACMTA to develop additional recreational opportunities as part of LACMTA's "Rail-to-River" Project. The Southern Pacific Trails/Slauson Connect Project seeks to remediate blight that has existed over multiple decades along LACMTA's vacant railroad right-of-way in Council District 9 and provide expanded recreational opportunities to underserved communities.

Based on definitions and standards defined in the City's Public Recreation Plan for park fee expenditures, the proposed co-located project would qualify as a "community" park that serves the local communities associated with the original project site areas. BOE is currently in the predesign phase for the project. The proposed Southern Pacific Trails/Slauson Connect Project will include the construction of a 10,000-15,000 square foot community facility that will provide recreation-related programs, a childcare center, green space and a community meeting room.

The site is owned by LACMTA and will be leased to the CITY via GSD as the contract administrator for the ground lease. A variety of Memorandums of Understanding (MOU's) will be



executed between the various City departments involved in this project. Recreation & Parks (RAP), will be responsible for providing the scope of work for the open space design and landscape management. The Bureau of Engineering (BOE), will provide the building design and scope of work to the contractors and GSD will negotiate and execute a 30-year ground lease that will incorporate all the above.

The project site begins at the northeast corner of Slauson Avenue and Normandie Blvd, and stretches east to Budlong Ave. The overall project site is approximately 101,250 square feet totaling approximately 2.32 acres. On April 22, 2021, the LACMTA Board approved the no-fee, 30-year lease agreement with the City. (See attached Board Report). The ground lease is expected to commence approximately 11 months after attestation based on the current tenant improvement schedule timeline.

### **ENVIRONMENTAL**

This project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Article 19, Section 15332. Additionally, the project is exempt pursuant to Los Angeles CEQA Guidelines Article III, Section 1 Class 32. The project involves in-fill development in an urbanized area. The project is consistent with the general plan designation, zoning and policies; the site is less than 5 acres; the site has no valuable habitat; it can be adequately served by required utilities and public services; and approval of the project would not result in any significant impacts to traffic, noise, air quality or water quality.

### **TENANT IMPROVEMENTS**

The Bureau of Engineering is overseeing the predesign, design and construction activities for this project. The proposed building will be outfitted with the latest technology to help reduce the transmission of airborne viruses to ensure the safety of patrons. Equipment systems and design criteria such as, but not limited to, on-demand air purge systems, ultraviolet (UV) filtration of circulated air, social distanced waiting areas, and body temperature checkpoints will be incorporated into the final design. An outdoor park area for passive and educational recreation will also be located on the south side of the project site fronting Slauson Avenue beginning at Budlong Avenue.

The project will sit as a node along the new pedestrian and bikeway zone being constructed by LACMTA (LACMTA's Rail-to-River Project) and will seek parking reductions due to its close proximity to MTA train and bus lines, as well as offsite parking lots for patrons, which can be accessed by shuttle. Onsite parking will be provided to accommodate up to four EV spaces, two Americans with Disabilities Act spaces, and 14 compact parking spaces for a total of 20 parking spaces. Furthermore, 10 standard and four long-term (enclosed lockers) bike parking will also be provided by the proposed project.

Several decisions are still to be determined by the Prop K program staff including the number of stories of the building as well as which City entity will ultimately review and approve the final design of the project.

### **TERMS AND CONDITIONS**

LACMTA and City agree in principle on various terms regarding this lease. This includes construction of the Southern Pacific Trails/Slauson Connect Project described above along the Slauson Avenue railroad right-of-way. To achieve that effort and to comply with the Prop K service and maintenance requirements, LACMTA is willing to issue a no-fee, long-term ground lease for 30 years. As consideration for this lease, LACMTA requested to have some reserved uses of the facility, including the following: occasional use of the proposed community rooms for LACMTA's

transportation related classes; two non-public restrooms for use by transit operators; and various amenities for LACMTA pedestrians and cyclists, such as restrooms, water bottle filling stations, seating and shade areas, outdoor bike repair areas, designated parking areas for bicycles and Metro ticket vending machines. The City will also agree not to sublease any part of the site to third party, for-profit businesses without the written authorization of LACMTA.

The City will be responsible for tenant improvements and utilities. The determination for what entity will operate the new facility is unclear at this juncture. If it is a City entity, an interdepartmental agreement or Memorandum of Understanding (MOU) will outline the various responsibilities. If a non-profit is proposed and selected, a sublease will be brought before the MFC and Council outlining the responsibilities of maintenance and repairs. A complete set of terms and conditions for the proposed 30-year ground lease are outlined on the attached term sheet.

### **MARKET ANALYSIS**

To estimate the value of the property, GSD performed a market analysis based on market rents of similar type properties and uses in the Central Los Angeles submarket. As shown in the table below, rents ranged from \$0.50 - \$1.50 per square foot (sf) plus tenant's proportionate share of operating expenses, property tax, and insurance. The current market rental value is between \$0.79 - \$1.00 per sf average based on comparable properties in the area.

<b>Slauson Connect Project: (Location)</b>	<b>Property Type</b>	<b>Rent/SF/Mo</b>	<b>Rentable S.F.</b>
<b>5280 Normandie Blvd</b>	<b>Land/Industrial</b>	<b>\$0</b>	<b>100,250</b>
620-640 E. Slauson Blvd	Land/Industrial	\$0.59	71,121
3431-3499 S. Main St.	Land/Industrial	\$1.20	50,664
1114 S. Los Angeles St.	Land/Industrial	\$0.50	52,080
1601-1625 S. Hope St.	Land/Industrial	\$1.50	68,273
1101-1111 S. Hill Ave	Land/Industrial	\$0.75 - \$1.25	88,000
3435-3535 S. Broadway	Land/Industrial	\$0.59	65,100
2100 S. Broadway	Land/Industrial	\$0.69 - \$0.79	50,600
1620 S. Broadway	Land/Industrial	\$0.75	74,000

### **FUNDING**

The funding sources available for the design and construction of the Project are as follows:

<b>SOUTHERN PACIFIC TRAILS/SLAUSON CONNECT PROJECT</b>	
<b>Total Project Cost</b>	<b>\$ 15,750,000</b>
Prop K Funding (43K)	\$ 13,245,200
CD9 Discretionary Funds*	\$ 2,500,000
Sites and Facilities (C.F. 19-0926-S1)	\$ 250,000
Sites and Facilities (C.F. 20-1021-S3)	\$ 262,879
*2021-22 CTIEP	\$ 800,000
CDBG	\$ 1,265,000
<b>Total Funding</b>	<b>\$ 18,323,079</b>
<b>Funding Surplus/(Shortfall)</b>	<b>\$ 2,573,079</b>
*Pending Council adoption	

*Funding anticipated to be available in January 2022 upon completion of 30% Design & Bidding document*

There is also a potential future General Fund impact for operations and maintenance funds since this is not an existing facility. However, there may also be cost offsets provided by the Prop K annual competitive program funds to provide a partial offset of maintenance expenses through the program termination in 2026-27, with the specific amount to be based on funding availability and overall funding received for each cycle. Other potential contributions that may be provided include LACMTA as a collaborative partner and owner of the proposed project site.

### **FISCAL IMPACT**

There is no anticipated impact to the General Fund as the full cost of the capital project will be covered in Special Fund sources that include Proposition K funding of (\$13.2 million), Sites and Facilities Funding (\$512,879), Capital Technology, Improvement Expenditure Program (\$800,000), Community Development Block Grant (\$1.3 million), and Council District Nine discretionary funds for a combined total of \$18.3 million.

### **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 new lease agreement with The Los Angeles County Metropolitan Transportation Authority ("LACMTA") (Lessor), for land located at 5820 Normandie Boulevard, Los Angeles, CA 90047 under the terms and conditions substantially as outlined in this report.



Tony M. Royster  
General Manager

Attachments: Term Sheet  
LACMTA Board Report

# LEASING TERM SHEET

MFC DATE

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LANDLORD

ADDRESS

---

TENANT

ADDRESS

---

LOCATION

AGREEMENT TYPE

USE

SQUARE FEET

TERM

RENT START DATE

LEASE START DATE

OPTION TERM

HOLDOVER

SUBLET/  
ASSIGNMENT

TERMINATION

RENTAL RATE

ESCALATION

RENTAL ABATEMENT

ADDITIONAL RENT

PROPERTY TAX

OPEX

CAM

OTHER

SECURITY DEPOSIT

MAINTENANCE/  
REPAIR

MAINTENANCE/  
REPAIR DETAILS

TENANT  
IMPROVEMENTS

PARKING

UTILITIES

CUSTODIAL

SECURITY

PROP 13  
PROTECTION

INSURANCE  
(City)

OTHER:



**Board Report**

**File #:** 2021-0185, **File Type:** Agreement

**Agenda Number:** 6.

**REGULAR BOARD MEETING  
APRIL 22, 2021**

**SUBJECT: NO-FEE LEASE OF METRO PROPERTY FOR CITY OF LOS ANGELES' SLAUSON CONNECT PROJECT**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) to enter into a 30-year, no-fee lease agreement with the City of Los Angeles (City) to use a portion of the Metro-owned Harbor Subdivision Right-of-Way between Normandie and Budlong Avenues, City of Los Angeles ("Property"), for the City's Slauson Connect Project.
- B. DECLARING that the Property is not necessary for use by Metro and is "exempt surplus land" as defined in Section 54221(f)(1)(D) of the California Surplus Land Act (California Gov. Code Sections 54220-54234).
- C. CERTIFYING that the Board, acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA) for the Slauson Connect Project, has considered the exemption documentation for the Slauson Connect Project and finds that the Slauson Connect Project is categorically exempt from CEQA and will not cause a significant impact on the environment.
- D. AUTHORIZING Metro Real Estate to file a Notice of Exemption with the Los Angeles County Registrar-Recorder/County Clerk.

**ISSUE**

The design of Segment A of the Metro Rail-to-Rail/River Project (R2R) is complete, and it will be constructed on the south half of the 81-foot-wide parcel between Normandie and Budlong Avenues. The City's Council District 9, under the lead of Councilmember Curren D. Price, Jr., has proposed a long-term lease on the north half of the parcel for the City's Slauson Connect Project. Board approval is required to authorize a 30-year no-fee lease, declare the land as exempt surplus, and certify the CEQA findings.

## **BACKGROUND**

The Harbor Subdivision ROW was acquired in 1993 from Burlington Northern Santa Fe (then The Atchison Topeka Santa Fe Railway Co.). It is part of a 24.5-mile rail corridor that stretches from south Los Angeles to the South Bay. The Property is along a stretch that is part of the R2R. Beyond R2R to the south is the Crenshaw/LAX Light Rail Project, and farther south of that will be the future C (Green) Line Extension to Torrance Project.

Since December 2015, the Property had been used as laydown and storage for the Crenshaw/LAX Project. That contractor vacated the Property in February 2021. It has since been taken over by the R2R contractor for its laydown and storage; that use is expected to end before the Slauson Connect Project moves to construction. The R2R team is coordinating with the Slauson Connect Project team and sharing design and environmental reports.

Prior to December 2015, the Property sat vacant. BNSF had not officially abandoned operating rights on the R2R stretch until 2019. However, there was no demand from any outside parties or Metro departments to use the site even prior to it being formally vacated.

### *Location*

The Slauson Connect Project is proposed to be located on the Property shown in Attachment A. The Property is located on a wide stretch of the Harbor Subdivision, adjacent to Segment A of the R2R. The R2R will include dedicated bike paths, a pedestrian path, and landscaping. The design of Segment A of the R2R is complete, and it will be constructed on only the south half of the 81-foot-wide parcel between Normandie and Budlong Avenues. The City is requesting this long-term lease as a partner project on the remainder, or north half of the parcel, approximately 40' x 1,237' or 49,480 square feet, for its proposed Slauson Connect Project.

### *Slauson Connect Project*

The Slauson Connect Project is envisioned to be a business incubator (for digital and technical businesses) and work resource center. The proposed 20,000 square foot facility will include a community meeting room and public spaces (that can also be used for transportation-related classes and events), indoor/outdoor spaces, dedicated bathrooms for Metro operators, and Metro ticket vending machines.

The City has designed the Slauson Connect Project's landscaping and open space to look almost seamless with the R2R's design, as if one planned project. Combined, the landscaping will create verdant outdoor space for users of both projects, and for the community at large, in this mostly industrial/commercial environment.

### *Applicable CEQA Categorical Exemption*

In consultation with the City of Los Angeles as the lead agency for the proposed Slauson Connect Project, Metro as a responsible agency for the Project has considered the relevant environmental issues as set forth in Attachment C. As indicated in the Attachment, the Slauson Connect Project has been evaluated by the City of Los Angeles, Department of Public Works, and been assessed as qualifying for a categorical exemption under the State CEQA Guidelines Section 15332 (Class 32 In-Fill Development Project).



Consistent with the attached Summary of Lease Terms (Attachment B), further negotiations between Metro and the City of Los Angeles are projected to result in a formal lease agreement, to be submitted to the Los Angeles City Council for vote and approval, at which time the City is projected to make its own CEQA findings as the lead agency, based upon the exemption documentation currently completed by the City's Department of Public Works. In acting as the governing body of a responsible agency for the Slauson Connect Project, this Board's consideration of the Attachments, including the relevant exemption documentation, and the Board's independent finding that the Slauson Connect Project meets all criteria of the Section 15332 exemption and will not cause a significant impact on the environment, will satisfy Metro's CEQA requirements for the Slauson Connect Project.

### *Exempt Surplus Land*

The California Surplus Land Act (California Government Code Section 54221 *et seq.*) (the "Act"), as amended in October 2019, provides for the disposition of "surplus land" or "exempt surplus land" as defined in the Act. "Surplus Land" means land owned in fee simple by any local agency for which the local agency's governing body takes formal action in a regular public meeting declaring that the land is surplus and is not necessary for the agency's use. Pursuant to the Act, land may be declared either "surplus land" or "exempt surplus land". As defined in Section 54221(f)(1)(D) of the Act, exempt surplus land includes "surplus land that a local agency is transferring to another local, state or federal agencies for the agency's use".

As mentioned above, the Property, comprising a total of approximately 49,480 square feet, is part of the Harbor Subdivision ROW that was originally acquired for future transportation projects. The Property has not been scheduled for use in connection with R2R because of the extra width of the parcel at this location. The City desires to use the Property for its Slauson Connect Project. Under these circumstances and pursuant to the Act, the Property is exempt surplus land.

## **DISCUSSION**

### *No-fee lease*

Metro staff recommends a no-fee lease for the Slauson Connect Project for the following reasons:

- The Property takes up the north-half of a wide parcel of ROW. Metro's R2R project requires only the south-half of the parcel, and there is no other Metro project planned for the foreseeable future.
- The Property is a narrow strip, approximately 40' wide, which has limited alternative use. Given its narrow configuration, it is very likely that the Property would remain vacant if Metro did not enter into this lease for Slauson Connect. Metro would incur costs to fence and maintain the vacant lot.
- The Slauson Connect Project adjacent to R2R would create a cohesive use and serve to enhance the attractiveness and utility of the R2R.
- The Slauson Connect Project has incorporated into its design several amenities for the benefit of Metro employees and patrons.
- The Slauson Connect Project meets the Metro Vision 2028/Strategic Plan objective to enhance communities and lives through mobility and access to opportunity

### *Term*

The City's funding grants for the Slauson Connect Project require a 30-year term. Since there are no additional Metro projects anticipated for the Property, staff recommends approval of the requested 30-year term.

### Equity Platform:

Slauson Connect will be a digital and technical business incubator and work resource center. Quoting from the City's grant application and engineering report, it will serve to "*spur the economic revitalization of the community, not just as a result of ongoing impacts of Covid-19*" but "*as the aftermath of disinvestment for nearly three-quarters of a century.*" The Slauson Connect Project meets pillars of Metro's Equity Platform goals: II. Listen and Learn; III. Focus and Deliver; and IV. Train and Grow.

### **DETERMINATION OF SAFETY IMPACT**

The Slauson Connect Project is anticipated to have minimal impact on safety, with planned mitigations. The R2R will initially install fencing that will separate it from the Slauson Connect section, before and during the Slauson Connect construction phase. However, the fence will ultimately be removed so both projects will serve as one cohesive development. Once the fence is removed, access to the R2R section will come strictly from the north side, along the common boundary of both projects; there will not be an actual crossing to Slauson Avenue, which is used solely for vehicle traffic. There will be no driveway or curb cuts from Slauson Avenue along this stretch. Reviews by Metro Engineering and Safety will ensure that no trees, bushes, other landscaping, or signage will be installed that could impede visuals from both sides of the boundary.

### **FINANCIAL IMPACT**

There will be no rent for this lease. There is no loss of revenue if this Slauson Connect lease is approved, because the property is not currently under a revenue-generating lease nor likely to be attractive for a future lease.

### Impact to Budget

Adoption of the recommended action will have no negative impact to the Fiscal Year 2022 budget for bus or rail operations.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This project addresses and meets the following Metro Vision 2028/Strategic Plan:

- Provide high-quality mobility options that enable people to spend less time traveling;
- Deliver outstanding trip experiences for all users of the transportation system;

- Enhance communities and lives through mobility and access to opportunity; and
- Transform LA County through regional collaboration and national leadership;

### **ALTERNATIVES CONSIDERED**

The Board may choose to not approve this lease. If the lease is not approved, the City will likely not move forward with the Slauson Connect Project. Given the narrow dimensions of the Property, being 40' wide, it may not be suitable for leasing for other uses, and will thus remain vacant, making it an easy target for dumping, vandalism, and other illegal activities.

The Board may choose not to approve the lease at the April board meeting. This alternative is not recommended because the City will be using certain grant funding that is dependent on the City acquiring this long-term lease in April 2021.

### **NEXT STEPS**

If approved by the Metro board, the final terms of the lease will be negotiated, subject to County Counsel and Risk Management review. The City will also need to approve the lease and certify the environmental findings. Metro Real Estate will file a Notice of Exemption with the Los Angeles County Registrar-Recorder/County Clerk

The Slauson Connect Project design and engineering plans will be submitted to Metro's Adjacent Development team which will route it through the usual review process. The work is being coordinated with R2R and other Metro teams.

### **ATTACHMENTS**

Attachment A - Site Drawing of Leased Property  
Attachment B - Summary of Lease Terms  
Attachment C - CEQA Exemption Documentation

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Holly Rockwell, Senior Executive Officer, (213) 922-5585

Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



Phillip A. Washington  
Chief Executive Officer

# Attachment "A"

## Site Drawing of Leased Premises



# ATTACHMENT B

## SLAUSON CONNECT

### Summary of Terms and Conditions

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) and City of Los Angeles (City) have agreed to cooperate in Council District 9 and City’s efforts to construct a recreational facility and complete outdoor improvements, known as the Slauson Connect/Southern Pacific Trails (Project), on the Metro-owned railroad right-of-way (“Slauson ROW”).

It is understood and agreed that this letter does not contain all the essential terms that the parties expect will be part of the lease agreement for the Project. Further negotiations between the parties are contemplated before the binding agreement will be prepared. The performance by either party before execution of a formal agreement of any of the obligations that may be included in an agreement between the parties when negotiations are completed will not be considered evidence of intent by either party to be bound by the terms of this letter. Metro Board and City Council approval is required before the lease can be executed.

The general terms and conditions are as follows:

1. TERM. LACMTA and City agree in principle regarding construction of a Project along the Slauson ROW and to affect that effort, LACMTA is willing to issue a long-term ground lease for 30 years.
2. CONSTRUCTION IN FIVE (5) YEARS. If the project is not constructed within 5 years, the lease will be terminated, unless this time is otherwise extended by written agreement between the Parties.
3. RENT. There will be no charge for the ground lease.
4. SITE REMEDIATION. LACMTA has agreed to a specific scope of site remediation to be further defined in the MOU.
5. SURPLUS LAND ACT. LACMTA must comply with the State Surplus Land Act and will use reasonably best efforts to assist City in meeting the requirement of an exempt public project as defined in the Surplus Land Act.
6. ENVIRONMENTAL CLEARANCE. The City has compiled a CEQA analysis and will continue to make all documentation available for Metro’s consideration prior to lease execution.
7. INDEMNITY. The City will hold LACMTA harmless and indemnify LACMTA for its participation in the Project except for LACMTA’s sole negligence.
8. SUBLEASING/SUBLICENSING. City will agree not to sublease any part of the site for third-party, for-profit businesses without the written authorization of LACMTA.
9. DESIGN AMENITIES FOR LACMTA EMPLOYEES AND CUSTOMERS. The facility will reserve for Metro employees and customers the below uses. City and Metro will cooperate to determine exact locations, dimensions, specifications, terms, etc. as the project is being designed. The final floor plan will be approved in writing by Metro.
  - a. Indoor space for active transportation related classes
  - b. At least two nonpublic restrooms for transit operators
  - c. Public restrooms for pedestrians/cyclists
  - d. Cyclist related amenities such as water bottle filling stations, seating and shade areas, outdoor bike repair areas.
  - e. Designated parking areas for bicycles
  - f. Metro Ticket Vending Machines