# Agenda Item No. 7

# CITY OF LOS ANGELES

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DEPARTMENT OF

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November 14, 2024

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

Attention: Adam Lid, Legislative Assistant

# REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE PURCHASE OF 23903 NORMANDIE AVENUE FOR A DEPARTMENT OF TRANSPORTATION ALL-ELECTRIC BUS MAINTENANCE FACILITY

On behalf of the Los Angeles Department of Transportation (LADOT), the Department of General Services (GSD) requests authority to execute a Purchase and Sale Agreement (PSA) and related documents to acquire the property at 23903 Normandie Avenue, Harbor City (APNs 7438-017-011, 7438-017-013, and 7438-017-015, (collectively, "Property") as shown on Exhibit "A" from Brea Canon Oil Company, Inc (Seller). LADOT intends to use the Property as a zero-emissions bus maintenance facility for transit service operations.

## SUMMARY

LADOT has an ongoing Bus Facility Purchase Program designed to replace existing contractorleased facilities with City-owned facilities to meet electrification goals as set by the Mayor and Council. The purchase of this site represents the last property acquisition to complete LADOT's electrification goals. The proposed acquisition will serve the southern and western portions of the City.

The last property the City pursued at 740 E. 111th Place, at a price of \$24.5 million, fell out of escrow and the purchase canceled at the direction of Council on March 10, 2023 due to risk factors associated with on-site contamination with costs to remediate estimated at \$2.5 million (CF 20-1129). There are currently no other industrial properties for sale that meet the needed parameters in terms of location, size, available power, adequate environmental status, and proximity to the South LA service areas.

Relocating Commuter Express, DASH, and Cityride DASH buses from the 1201 S. Central Avenue bus yard in Compton, CA, to the proposed acquisition site is expected to save the City nearly \$1.2 million annually in rental payments, especially as rent costs rise by approximately three percent each year. The 1201 S. Central Avenue yard has been leased by LADOT for approximately 12 years.





Without ownership of a Transit Maintenance Yard, LADOT cannot invest in electrifying the seven Community DASH and eight Commuter Express, and Cityride On-Demand Dial-a-Ride services operating in South LA and Harbor area, as the City lacks the capacity to develop charging infrastructure on leased property. Beyond facilitating electrification and supporting climate initiatives, owning a dedicated south yard will promote equity, as DASH services primarily serve South LA neighborhoods with the lowest rates of auto ownership in the City.

The construction of the bus maintenance (i.e. operations) facility will help increase battery electric bus service such as the new LA Now on-demand bus service in South LA and expand bus service frequency on the Watts Community DASH route. The facility would also support potential expanded bus service in the LA Harbor area to serve the Wilmington Waterfront and Wilmington Promenade.

LADOT will be responsible for securing and maintaining the site after purchase while it is vacant and until such time it is developed.

# **BACKGROUND**

The Seller approached the Mayor's office with a verbal offer to sell the Property at \$12 million, which was confirmed by GSD in communications with the Seller's broker. The Property meets LADOT's requirements for a zero-emissions bus yard containing a land area of approximately 211,071 square feet (sf) or 4.85 acres. The site is vacant, fully fenced, flat graded, compacted, and the soil has been remediated to industrial standards.

There are two significant easements on the property. One is a 40-foot-wide permanent Fire Lane easement in favor of the property adjacent and directly north of the Property (APN 7438-017-010, 012, and 014, owned by Normandie Properties, LLC) totaling approximately 27,631 sf. The other is a 20-foot-wide pipeline right of way easement in favor of Southern Pacific Pipelines totaling 12,000 sf of property. LADOT has advised that these easements create no significant impact to the development of the Property for the proposed zero emissions bus yard after consultation with the Bureau of Engineering's Structural Engineering Division. These easements are shown in the attached Property Map.

The property was recently rezoned (ZI 2514) by the Los Angeles City Planning (LACP) to restrict many formerly permitted industrial uses. Initial review by LADOT, including consultation with the LACP, indicates that the proposed bus charging facility would be an allowable use in this location. However, if LACP determines that the project is not a by-right use when the full project scope and plans are ready, LADOT would pursue a conditional use permit, Zoning Administrator's interpretation, or any other administrative or legislative remedy needed to conform with the zoning on this property. The Seller is eager to sell the Property and is willing to sell at a price of \$12 million to effectuate a quick transaction by December 2024. A recent appraisal of the Property, contracted by GSD, supports this price.

This is a rare opportunity, as LADOT Transit can only operate their yards on industrial zoned land with adequate power. The Property has adequate power due to its former use as a tank farm for the above ground storage of crude oil and water, which will support operations of the yard as a charging facility for battery electric buses without the need for expensive upgrades for power, which could be in excess of \$1 million.

It is anticipated that LADOT will use Federal Transit Administration (FTA) Section 5307 Grants to upgrade the facility once purchased. The cost of the purchase may be used as the local match for any capital grants. It is with these benefits in mind that FTA created the Bus Facility Purchase Program. GSD, on behalf of LADOT acquired two bus maintenance facilities in FY 2018 and LADOT is still in need of purchasing an additional yard. LADOT previously reserved \$24 million

to purchase 740 E. 111<sup>th</sup> Place, indicating substantial savings should the Property be purchased at \$12 million.

# PROJECT DEVELOPMENT AND TIMELINE

Once the City purchases the property, LADOT will seek direction to assemble grant funds to develop the property with the necessary improvements to operate a zero-emissions bus maintenance yard, which would include a new office for transit operations personnel, bus maintenance bays, and up to 70 charging stations to charge 140 battery electric buses. LADOT expects a minimum of five years to complete the project.

# **APPRAISAL**

The Property was appraised by Curtis-Rosenthal, Inc., the City's appraisal consultant for this assignment, with a value date of August 30, 2024 which supports the sale price of the Property and reviewed by CBRE Valuation & Advisory Services on September 18, 2024 and deemed the appraisal report reasonable and credible. Since the City will rely on FTA funds for the development of the Property, once purchased, the FTA advised that the City disclose the appraised fair market value to the Seller. The Seller has been apprised of the Fair Market Value and has agreed to sell the property at their \$12 million initial, unsolicited offer price.

# PURCHASE AND SALE AGREEMENT (PSA)

On October 15, the City transmitted a draft Purchase and Sale Agreement (PSA) to purchase the Property for \$12 million to the Seller after preliminary review of title and subsequently continued the due diligence process, including continued review of title and associated documents. The closing date or date of purchase is 45 days after City Clerk Attestation or sooner. Although not in the PSA, the Seller desires to close the transaction by December 31, 2024.

Once the City Council has approved the acquisition, the parties will immediately enter into a binding, purchase and sale agreement. No deposit will be required at the opening of escrow. There is no monetary loss by the City for not closing the transaction.

The City has reviewed the title report and has accepted all matters of record which includes mineral rights leases as discussed below.

The City will take title of the property "as is, where is, with all faults," with City taking full responsibility of all aspects of the Property upon acquisition.

# MINERAL RIGHTS

The Seller is the lessee of mineral, oil, gas and other hydrocarbon substances and will be quitclaiming Seller's rights under relevant leases to the owner/lessor Standard Oil Company of California, a corporation and The Superior Oil Company, a corporation of such mineral, oil, gas and other hydrocarbon substances and will not be assigning those rights to the City. The owner, in turn, has multiple leases with other lessees. There were two wells (JU 9-C & JU 10-C) located in the Property. The last production recorded from JU 9-C was May of 2020 and JU 10-C was October 2005. The last production for all wells was May of 2022. The City will not be purchasing any mineral rights as those rights belong to other parties, and not the Property owner. LADOT asserts that the lack of mineral rights ownership will not negatively impact the intended use of the Property by the City. Also, because the site has been restored, with all oil and gas capital improvements owned by the Seller removed (with the exception of two soil-vapor extraction wells) it is unlikely that the owner(s) of the mineral rights will attempt to extract them as removal of capital

improvements either indicate the non-profitability of the site for mineral extraction or governmental policy makes this use nearly impossible.

There is a small risk however, that mineral rights owners would explore or want to explore the possibility of accessing the minerals through surface entry. The LACP has indicated that new permits will need to be applied for from the City of Los Angeles and California Department of Conservation Geologic Energy Management Division (CalGEM) and that any new drilling would be prohibited by the State per SB1137 since the property is within a Potential Health Protection Zone.

In addition, Chicago Title Company will provide endorsements to protect the City against claims of surface entry that may result from the ownership of the mineral rights by third parties.

# **ENVIRONMENTAL**

The Bureau of Engineering's Geotechnical Division (GED) has reviewed the property owner's soil investigation and remediation reports and found that the site has been remediated to acceptable industrial standards/use, and has recommended further testing and remediation that would occur at the design/construction phase but not pre-acquisition. The following reports were reviewed by GED:

- Geotechnical Observation and Compaction Testing Final Close Out Report by Partner Engineering and Science, Inc. (Partner), dated June 21, 2024
- Soil Vapor Assessment and Remediation Report by Partner, dated June 21, 2024.
- Subsurface Soil Assessment and Removal Report by Partner, dated June 5, 2024
- Soil Samples Report from Jones Environmental, Inc. (Jones) dated May 5, 2023
- Soil Samples from Jones, dated September 1, 2022
- Boring Logs from Partner, dated September 28, 2022.
- Well abandonment letter from CalGEM dated January 20, 2022
- Groundwater Data from Partner, dated November 18, 2021
- Analytical Report from Eurofins, dated July 16, 2021

# Post-Acquisition Cost Estimates

The magnitude of post-acquisition costs can range from \$550,000 to \$1.5 million with the largest unknown being possible quarterly or semiannual groundwater monitoring and reporting to the Los Angeles Regional Water Quality Control Board (LARWQCB) shown in bold in the table below.

Possible environmental costs associated with development of the site **post-acquisition** are as follows:

| Task  | Consultant<br>Cost-Minimum | Consultant<br>Cost-Maximum | Timing   |
|---|----------------------------|----------------------------|--|
| Geotechnical Investigation- 8 borings, 40 feet deep for Geotechnical Data Report                | \$70,000                   | \$70,000                   | Once project plans and specifications are available  |
| Geotechnical Env. Division<br>Review (In-House)   | \$15,000                   | \$15,000                   | Once project plans and specifications are available  |
| Methane Investigation. Site is in a methane zone  | \$35,000                   | \$35,000                   | Once preliminary plans for the building are in place |
| Prep of methane plans, design architectural team, field inspections, smoke testing              | \$60,000                   | \$60,000                   | During design and/or construction of building(s)     |
| Methane Mitigation System   | \$100,000                  | \$200,000                  | During construction                                  |
| Three groundwater monitoring wells-75-foot in depth, soil sampling                              | \$100,000                  | \$100,000                  | Should the LARQCB require this                       |
| Quarterly or semiannual groundwater monitoring and reporting to LARWQCB (\$75K/yr for 10 years) | \$0                        | \$750,000                  | At any time  |
| On-call subconsultant time and mileage for monitoring and sampling as trenching takes place     | \$40,000                   | \$40,000                   | Construction   |
| Soil Tests, manifest handling reports   | \$30,000                   | \$30,000                   | Construction   |
| Removal of contaminated soil  | \$100,000                  | \$200,000                  | Construction   |
| Range of Costs  | \$550,000                  | \$1,500,000                |  |

The Seller has agreed to remove the two on-site soil-vapor extraction wells as recommended by BOE Geotechnical Engineering Division (GED) prior to the close of escrow. The City will likely need to install their own.

# **CEQA REVIEW**

The Los Angeles Department of Transportation's Planning and Policy Division has determined that the proposed acquisition of the 5-acre property at 23903 Normandie Avenue for the development of a zero emissions bus maintenance yard is exempt from CEQA pursuant to Sections 21080.25(b)(5) of the Public Resource Code. See Exhibit B for the justifications finding how the City will meet the requirements of Sections 21080.25(b)(5) and other applicable provisions of 21080.25.

# **FUNDING SOURCES -ACQUISITION**

Funds for the purchase of the Normandie property are available within the City Proposition A Local Transit Assistance Fund. For Fiscal Year 2024-25, it was estimated that \$10.3 million in grant reimbursements would be received. So far during 2024-25, grant reimbursements are \$26.6 million, providing sufficient cash to complete this requested purchase.

# **FUNDING SOURCES FOR DEVELOPMENT**

The costs to develop the property with the improvements described above is roughly estimated to be up to \$90,000,000. LADOT will pursue a variety of formula and discretionary grant funding sources at the federal, state and county level. As a designated recipient transit agency, LADOT is eligible to receive funding from federal and state sources that are allocated on a formula basis and will allocate formula funding share and seek to fill remaining funding gaps with discretionary grants.

# Federal funding sources include:

- Federal Transit Administration (FTA) Section 5307 Urbanized Area Formula Grants,
- FTA Low or No Emission (Low-No) Vehicle Program (5339(c)),
- FTA Buses and Bus Facilities Competitive Program (5339(b)),
- USDOT Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grants and:
- Infrastructure for Rebuilding America (INFRA) Grants.

# State funding sources include:

- Transit and Intercity Rail Capital Program (TIRCP),
- Low Carbon Transit Operations Program (LCTOP), and;
- Senate Bill (SB) 1 State of Good Repair Program.

# County and local funds could include:

- Measure R Clean Fuels formula and;
- Proposition A Local Return funds.

# FISCAL IMPACT

There is no impact to the General Fund for the acquisition of the Property.

## RECOMMENDATION

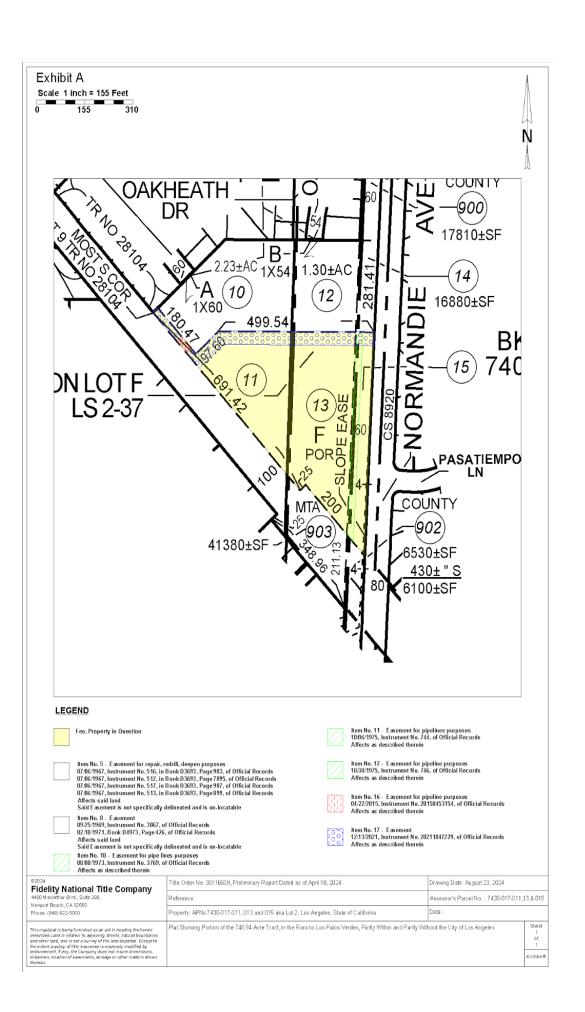
That the City Council, subject to approval of the Mayor:

- 1. DETERMINE that the acquisition for a zero emissions bus yard facility (the "Project") is statutorily exempt from CEQA pursuant to Sections 21080.25(b)(5) of the Public Resources Code
- AUTHORIZE GSD with the assistance of LADOT, Department of Public Works, the Office of the City Attorney and any other City department to negotiate, prepare, and execute documents necessary, including but not limited to the Purchase and Sale Agreement to effectuate the acquisition of the Property located at 23903 Normandie Avenue, Harbor City, CA, APNs 7438-017-011, 7438-017-013, 7438-017-015;
- 3. ESTABLISH a new appropriation account within the Proposition A Local Transit Assistance Fund, Fund 385, Department 94 entitled "Electric Bus Yard Acquisition" in the amount of \$12,050,000.
- 4. AUTHORIZE LADOT to make payment of up to \$12,050,000 from the "Electric Bus Yard Acquisition" account to Chicago Title Company necessary to close escrow for the acquisition of the property at 23903 Normandie Avenue.
- 5. AUTHORIZE LADOT to expend funds pursuant to Recommendation #3 above upon presentation of proper documentation and demand of the General Manager of GSD or designee;
- 6. AUTHORIZE LADOT to make any corrections, clarifications, or revisions to the above fund appropriation and payment instructions, including any new instructions, in order to effectuate the intent of executing the Sales Purchase Agreement, including any corrections and changes to fund and account numbers; said clarifications/ corrections/ changes may be made orally, electronically, or by any other means;
- 7. AUTHORIZE the General Manager of GSD or designee, to prepare Controller instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and AUTHORIZE the Controller to implement these instructions;
- 8. AUTHORIZE up to \$10,000 from Proposition A Local Transit Assistance Fund, Fund 385, Department 94 for the Department of Transportation to maintain this property annually; And
- 9. That City Council, subject to the approval of the Mayor, in a separately agendized item as required by CEQA;
  - a. DIRECT that the Project shall be completed by a skilled and trained workforce and/or by City forces, And
  - b. CERTIFY, under Public Resources Code section 21080.25(f)(1), that the Project will be completed by a skilled and trained workforce and/or by City forces.

Tony M. Royster General Manager

Attachments: Exhibit A - Property Map

Exhibit B - CEQA Exemption Narrative



## **Exhibit B - CEQA Exemption Narrative**

**PROJECT:** Harbor City Zero-Emission Bus Maintenance Facility Project

LOCATION: 23903 Normandie Ave, Harbor City, CA 90710

#### I. Project Description

As provided for in the GSD report to the Municipal Facilities Committee, submitted concurrently with this Attachment, the project is to acquire a 4.85 acre property at 23903 Normandie Avenue, Harbor City (the Property) in order to develop and operate a maintenance yard exclusively for zero-emissions buses to serve the Los Angeles Department of Transportation's (LADOT) South LA and LA Harbor transit service region (the Project). The Project would include a new office for transit operations personnel, bus maintenance bays, and up to 70 charging stations to charge 140 battery electric buses. The development of the Property with the above improvements is estimated to cost up to \$90,000,000.1

## II. Project Background

LADOT serves the South Los Angeles and Harbor communities with affordable transit services by operating seven Community DASH, eight Commuter Express services, and the Cityride On-Demand Dial-a-Ride service. In the near future, LADOT will launch an LA Now On-Demand service in South LA within this service region and expand service frequency on the Watts Community DASH line. City Council has recently directed LADOT to evaluate expanding transit service in the Harbor community to serve the Wilmington Waterfront and Wilmington Promenade (Council File 24-1116). For each service region, LADOT operates a transit facility where buses are fueled, maintained, and stored when they are not in service. The City owns three of the four properties where LADOT operates transit maintenance facilities.

LADOT currently leases the South Bus Maintenance Yard in Compton where all of the buses that serve the south LA and harbor neighborhoods are maintained. LADOT is not able to invest in the infrastructure needed to charge battery electric buses. LADOT has been searching for property to purchase for the South Yard to invest in the needed electrification infrastructure to achieve City Council's goal for LADOT to operate a zero-emission bus system by 2030.

The purchase and development of the bus maintenance yard advances the City's goal to operate 100% zero-emission bus services by 2030 and provides a cleaner bus fleet to the South Service Region, that includes Harbor City. The proposal to develop the property is in the early concept development stage. (See records on file with LADOT.)

#### **Environmental Review-Basis for Statutory Exemption**

The Project is exempt from the California Environmental Quality Act (CEQA) by statute pursuant to California Public Resources Code (PRC) Section 21080.25 (b)(5). Section (b)(5) provides a CEQA exemption "for the institution or increase of bus rapid transit, bus, or light rail service, including the construction or rehabilitation of stations, terminals, or existing operations facilities, which will be

<sup>&</sup>lt;sup>1</sup> This estimate is based on the recent development of a Downtown Bus Maintenance Yard at 454 E. Commercial Street (records on file with LADOT) that includes the cost of installing 35 battery electric bus chargers. The total project cost is around \$50 million when considering both the development of the facility and installing the bus chargers. The development of a zero-emission bus maintenance facility by the Project is not expected to exceed \$90 million when scaling up these costs to account for double the number of bus chargers, inflation, and a larger facility.

exclusively used by zero-emissions...vehicles, on existing public rights-of-way or existing highway rights-of-way, whether or not the right-of-way is in use for public mass transit. The project shall be located on a site that is wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau." As set forth below, the Project is exempt from CEQA under Section (b)(5).

First, the Project is a proposal to construct a new bus facility that will charge up to 140 battery electric buses which will serve expanded services that include LA Now On-Demand bus service in South LA, expanded bus operations on the Watts Community DASH line, and could potentially serve an expanded bus service to the Wilmington Waterfront and Wilmington Promenade. (See records on file with LADOT.) All bus services will operate on existing streets that are within an existing public rights-of-way or existing highway rights-of-way. Second, the Project would be for exclusive use of zero-emissions buses. Third, the Project is located wholly within the City of Los Angeles, which is an urbanized area as designated by the U.S. Census Bureau (see:

https://www2.census.gov/geo/docs/reference/ua/2020 Census ua list all.xlsx).

In addition, the Project meets the other criteria in PRC Section 21080.25 to qualify for the CEQA statutory exemption:

## a. Pre-requisite Criteria under PRC Section 21080.25(c)

The Project meets all three criteria under PRC Section 21080.25 (c) (1-3):

- 1. The City of Los Angeles, is the lead public agency, and is a local agency carrying out the project.
- 2. The Project will not not induce single-occupancy vehicle trips, add additional highway lanes, widen highways, or add physical infrastructure or striping to highways; and does not include the addition of any auxiliary lanes. The Project will encourage more sustainable transportation options (see above regarding how the Project would increase bus services), which will reduce congestion and improve air quality.
- 3. The Project will not require the demolition of affordable housing units. There are no affordable housing units on the Property, and none will be affected by the Project.

#### b. Public Meetings Criteria under PRC Section 21080.25(d)(1)(D)

As provided in the Project Description, the Project is expected to cost up to \$90,000,000 to develop. Subdivision (e) of PRC Section 21080.25 provides that a project exempt from this division exceeding \$50,000,000 shall also comply with clauses (i), (iii), and (iv) of subparagraph (D) of, and with subparagraph (E) of, paragraph (1) of subdivision (d).

Subdivision (d)(1)(D) of PRC Section 21080.25 provides that a lead agency exempt under this section shall hold public meetings and provide notice of those meetings in accordance with subdivision (d)(1)(E).

In compliance with PRC subdivision (d)(1)(D) of PRC Section 21080.25, LADOT held three notices of public meetings. Two meetings were held in the project area that included the Harbor City Neighborhood Council General Board & Stakeholder Meeting on Wednesday, October 16th, 2024, and the Green Meadows Community Group on Saturday, November 2nd, 2024. In compliance with subdivision (d)(1)(E), LADOT posted the notices in the area where the project is located. The

Government Operations Committee meeting on November 26th, 2024 shall constitute the third public meeting since it is a regularly scheduled meeting of the Governing Board.

Furthermore, In compliance with PRC section 21080.25(d)(1)(D)(iii), LADOT will conduct at least two noticed public meetings annually during project construction for the public to provide comments. In compliance with PRC section 21080.25(d)(1)(E), LADOT will provide notice of the November 26th meeting on LADOT's website and social media accounts.

#### c. Skilled and Trained Workforce Criteria under PRC Section 21080.25(f)

Subdivision (f) of PRC Section 21080.25 provides that a lead agency exempt under this section shall enter into a construction contract only with an entity and its subcontractors at every tier commit to using a skilled and trained workforce to perform all work on the project or a contract that falls within an apprenticeship occupation in the building and construction trades, except where a lead agency has entered into a project labor agreement that will bind all contractors and subcontractors performing work on the project to use a skilled and trained workforce and the entity has agreed to be bound by that project labor agreement.

In compliance with PRC subdivision (f)(2) of PRC Section 21080.25, the City shall certify that the project will be completed by a skilled and trained workforce, and will rely any of the three, or combination thereof to satisfy this requirement:

- The City shall contract with entities to perform the work of the project that are bound by the
  Department of Public Works Project Labor Agreement 2020-2030 (PLA 2020-2030) with the Los
  Angeles/Orange County Building and Construction Trade Council, and further bind all
  contractors and subcontractors performing work on the project to use a skilled and trained
  workforce.
- 2. The City shall rely on City forces.
- 3. The City shall include in all invitations for bids requirements and/or executed final agreements to bind all contractors and subcontractors performing work on the project to use a skilled and trained workforce.