

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 6

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GENERAL MANAGER
AND
CITY PURCHASING AGENT

DEPARTMENT OF
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December 12, 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 TO NEGOTIATE AND EXECUTE A NEW LEASE AGREEMENT FOR BUREAU OF STREET SERVICES AT 4221 BANDINI BOULEVARD, VERNON, CA 90058

The Department of General Services (GSD) requests authority to negotiate and execute a new lease agreement with PIP 4221 Bandini LLC (Lessor) for a 169,193 square foot (3.9 acres) site located at 4221 Bandini Boulevard, Vernon, CA 90058 for the exclusive use by the Bureau of Street Services (StreetsLA) as a temporary leased location to accommodate their Recycled Asphalt Plant (RAP) operations that will undergo modernization of its current facilities. The current City-owned facility is located at 2601/2611 E. 25th St. (25th and Harriet) in CD 14.

BACKGROUND

StreetsLA manages the City's asphalt production and recycling to maintain and enhance the City's extensive street network. This is achieved through the operation of several municipal asphalt plants and the incorporation of recycled materials into their processes.

Asphalt Plant No. 1 (AP1): Located at 2484 E. Olympic Boulevard, AP1 is a City-owned property which underwent significant modernization that was completed in 2019. The upgrade increased its production capacity to approximately 700,000 tons annually and enabled the incorporation of up to 50% Recycled Asphalt Pavement (RAP) into new asphalt mixes.

25th and Harriet Storage and Processing Facility: Located at 2601 E. 25th Street at the intersection of 25th and Harriet Streets, this site is used to store and process RAP. This location supports Asphalt Plant No. 1 (AP1), located approximately 1.2 miles away at 2484 E. Olympic Boulevard.



StreetsLA in conjunction with the Bureau of Engineering will be responsible for the scheduled upgrades at the 25th and Harriet site, known as the Asphalt Plant No. 1 - Phase 2 project (AP1-PH2), to address wind-borne debris and operation-generated dust, as well as moisture content of the RAP. During these improvements, the City is seeking a temporary location to continue RAP processing operations.

StreetsLA, in collaboration with GSD, identified this leased location option as a suitable interim site for an initial term of five (5) years. This temporary relocation is essential to maintain asphalt production and support ongoing street maintenance projects while ensuring compliance with environmental standards. Finding a temporary location, while AP1-PH2 is under construction, within the City of Los Angeles has presented several challenges, particularly concerning zoning requirements. The Los Angeles Municipal Code (LAMC) does not designate an "M3 and M4" zoning classification for recycled asphalt activities. Industrial activities, including asphalt manufacturing and recycling, are typically permitted in M3 and M4 (Heavy Industrial) zones, subject to specific conditions and approvals. Most cases require a Conditional Use Permit (CUP) or a Zoning Change which would take 12 months to 18 months to complete.

In light of the challenges associated with locating suitable M3 and M4 zoned land within the City of Los Angeles for the temporary facility, the search was expanded to include the nearby City of Vernon. Vernon, recognized for its industrial-friendly zoning and robust infrastructure, has potential sites that meet the operational requirements to produce the RAP while offering proximity to the AP1 location.

SURVEY OF OPTIONS

From 2022 to 2024, the GSD and StreetsLA undertook an extensive review of vacant M3 and M4 zoned sites to identify a suitable location for relocating the RAP storage and processing facility from its current site at 25th and Harriet Street. The goal was to secure a site that aligned with StreetsLA's operational requirements, including sufficient space for RAP processing and storage, adherence to environmental regulations, and close proximity to AP1. Despite comprehensive evaluations, factors such as limited availability of appropriately zoned land, environmental constraints, and community concerns, introduced significant complexities into the relocation process.

GSD conducted an extensive search and presented StreetsLA with multiple potential locations across the City, Los Angeles County, and neighboring municipalities. However, over 10 sites were ultimately deemed non-viable due to factors such as insufficient access, unsuitable locations, and zoning restrictions.

PROPOSED SITE – 4221 BANDINI BOULEVARD, VERNON

The proposed 3.9-acre site in Vernon is capable of supporting the operational requirements of the asphalt crusher and power screener currently located at the 25th and Harriet site and serves as an ideal temporary site for StreetsLA, emphasizing its strategic advantages.

1. **Site Details:** The property at 4221 Bandini Boulevard is situated at the northeast corner of Bandini Boulevard and S. Bonnie Beach Place in the City of Vernon. The 169,193-square-foot parcel is zoned for General Industry with a Truck and Freight Terminal Overlay. This zoning permits truck terminals, freight terminals, and solid or hazardous waste facilities, accommodating specialized operations while mitigating traffic, noise, vibration, dust, or odors that could impact neighboring uses. At Ownership sole cost and expense, they will demolish two (2) existing structures located at 2701 and 2713 S. Bonnie Beach Place, thus creating a larger, open functional paved area of approximately 80,000 square feet to accommodate RAP operations.
2. **Optimal Location:** Located approximately three miles away from the existing infrastructure (AP1) and StreetsLA's operational routes, 4221 Bandini Blvd, which minimizes transportation distances for RAP hauling. This location reduces associated fuel and labor costs, enhancing logistical efficiency and minimizing downtime.
3. **Industrial Zoning:** The site is appropriately zoned for industrial use, aligning with regulatory requirements and avoiding potential conflicts with surrounding land uses. This industrial compatibility ensures that StreetsLA can conduct its operations without concerns about zoning compliance.
4. **Adequate Space for Operations:** The 3.9-acre area offers sufficient room for storing, processing, and stockpiling RAP material, including space for equipment like crushers and power screeners. This capacity supports StreetsLA's need for a temporary yet fully functional site, reducing the dependency on external storage, hauling and disposing, which translates into significant cost savings.
5. **Environmental and Community Suitability:** The location of 4221 Bandini Blvd, within a predominantly industrial area, minimizes potential noise, dust, and traffic concerns for residential communities. This makes the site an ideal choice for meeting environmental and operational compliance standards without adverse impacts on the surrounding area.
6. **Increased Operational Efficiency and Cost Savings:** The site's suitability for stockpiling processed RAP allows for immediate access to recycled material, reducing the costs associated with procuring additional raw materials. Furthermore, this setup lessens the frequency of transporting unused RAP to other sites, lowering hauling costs and supporting continuous production, particularly during the rainy season when such efficiencies are crucial.

Overall, 4221 Bandini Blvd provides StreetsLA with a strategically located, industrially compatible, and cost-effective site that meets operational needs while supporting StreetsLA's commitment to environmental responsibility.

TERMS AND CONDITIONS

The lease agreement is structured as a modified gross land lease with improvements at \$0.75 cents per square foot within a 3.9 acre site, including an initial term of 61 months with a 3% escalation annually, accompanied by four, six-month options to extend, if needed. Under this gross lease structure, the City will be responsible for the monthly base rent payments as well as all utilities and costs for custodial and maintenance. A complete set of terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENTS/CONTINGENCY PERIOD

PIP 4221 Bandini LLC and the City have reached a non-binding preliminary agreement on a Letter of Intent (LOI) that outlines the key economic terms and includes provisions for the delivery of an approved Conditional Use Permit (CUP) for the RAP. Under this agreement, the Lessor will deliver the Premises with the approved CUP for the RAP, demolish two existing structures to provide a functional paved area on site at 2701 Bonnie Beach Place and 2713 Bonnie Beach Place, and complete any additional improvements required by the City of Vernon.

This Lease Agreement is contingent upon the Lessor securing a CUP for the intended use of the Premises within 90 days from the Lease Agreement's attestation date. Should the Lessor be unable to obtain the CUP within this 90-day period, the Lease Agreement will be rendered null and void, releasing the City from all obligations without any liability for costs, expenses, or rent.

MARKET ANALYSIS

A recent market analysis indicates that the price per square foot (PSF) for this type of space ranges from \$0.65 cents PSF to \$1.50 PSF, plus maintenance charges. Due to the size and unique nature of the subject site, there are currently few comparable properties available in the market, particularly within the heavy industrial land designation, which offers limited site options.

The table below presents comparable rates currently available in the marketplace.

<i>Rental Market Analysis</i>		
<i>Comparable Property</i>	<i>Acres</i>	<i>Monthly Rent (PSF)</i>
2211 E. Washington Blvd	1.98	\$0.71/ Cents PSF
2545 E. 24th Street	1.78	\$1.00/PSF
1401 S. Rio Vista	3.8	\$1.50/PSF
1551 Miller Avenue	1.7	\$0.65/Cents PFS
8448 S. Alamenda	1.5	\$0.95/CentsPSF
2709 E. 37th Street	3.24	\$0.65/Cents PSF
<i>Average</i>		<i>\$0.92/Cents PSF</i>

**Note: Proposed base rent of \$0.75 cents PSF is approximately 18.5% less than the average rent for comparable space in the immediate vicinity.*

MAINTENANCE/CUSTODIAL/UTILITIES

The Lessor will oversee custodial services, landscaping, and general maintenance of the Premises at the City's expense, excluding a six-month general warranty on mechanical equipment (electrical, plumbing, and sewer). Additionally, the Lessor will maintain and repair the roof and foundation of the existing structures, while the City will cover all associated utility costs.

FUNDING

This proposed lease was included in the FY 2023-24 budgetary process projected at \$800,000. StreetsLA anticipates needing \$7.6 million in funding over five years for the temporary lease and associated costs as it relates to the AP1 Phase 2 - 25th and Harriet Project. In order to initiate the construction phase, the crusher and screener will need to be moved to a temporary site and relocated along with associated staff in order to maintain operations during the construction upgrades to the 25th and Harriet RAP facility.

FISCAL IMPACT

The Citywide Leasing Account Budget for Fiscal Year 2024-25 includes \$800,000 for this project. Proposed monthly rent is \$126,895 (\$507,579 for four months) less two months rent abatement for \$253,790. Utilities are projected to cost \$6,000 per month. Custodial and maintenance costs are projected to be \$650 per month under the agreement. Total FY 2024/25 costs will be approximately \$530,390, providing approximately \$269,610 in savings from this lease for this fiscal year. Future FY costs will be requested through the budget process. There is no additional impact to the General Fund at this time.

4221 Bandini 2024-25 Proposed Lease Costs				
	Monthly Proposed Costs	2024-25 Estimated Expense	2024-25 Budget Funding	2024-25 Estimated Funding Surplus/(Deficit)
Proposed Rent (4 months)	\$126,895	\$507,580		
Free Rent (2 months)		-\$253,790		
Utilities	\$6,000	\$24,000		
Custodial and Maintenance	\$650	\$2,600		
Moving and ITA costs		\$250,000		
TOTAL	\$57,932	\$530,390	\$800,000	\$269,610

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 PIP 4221 Bandini LLC for the location at 4221 Bandini Boulevard, Vernon, CA 90058 under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachment: Term Sheet
Site Map

LEASING TERM SHEET

MFC DATE December 12, 2024

LANDLORD PIP 4221 Bandini, LLC

ADDRESS 16027 Ventura Blvd, Suite 550, Encino, CA 91436

TENANT City of Los Angeles - GSD

ADDRESS 111 E. First Street, Room 201, Los Angeles, CA 90012

LOCATION 4221 Bandini Boulevard, Vernon, CA 90058

AGREEMENT TYPE Land Lease with Improvements

USE Recycled Asphalt Plant

SQUARE FEET 169,193 SF

TERM Sixty-one (61) months from Rent Commencement Date

EARLY POSSESSION Two (2) weeks prior to the lease start date

RENT START DATE Rent will commence upon the substantial completion of improvements and the issuance of a conditional use permit (CUP) for an asphalt recycling plant.

LEASE START DATE Upon City Clerk's attestation

OPTION TERM Four (4) six (6) month options to renew, exercisable between three (3) and six (6) months prior to the lease expiration. Rent for option periods shall be as follows:
Option months one (1) to twelve (12) \$0.86 cents psf modified gross
Option months thirteen (13) to twenty four (24) \$0.89 cents psf modified gross

HOLDOVER Holdover is permitted for up to one (1) year at a rate of no more than 110% of the then current rental amount.

SUBLET/
ASSIGNMENT No rights to sublet or assign the lease without approval and consent.

TERMINATION See Below

RENTAL RATE	\$0.75 cents per square foot modified gross
ESCALATION	3% Annually on Anniversary of Rent Commencement Date
RENTAL ABATEMENT	2nd and 3rd month of the lease term
ADDITIONAL RENT	N/A
OPEX	None
CAM	None
TERMINATION/ CONTINGENCY PERIOD	This lease is contingent upon the Landlord obtaining a Conditional Use Permit (CUP) for the intended use of the Premises within ninety (90) days from the City clerk's attestation.. In the event that the Landlord does not obtain the CUP within the specified ninety (90) day period the Lease shall automatically become null and void, releasing Tenant from any further obligations without liability of cost, expense, or rent. Furthermore, the Landlord shall file CUP permits within 10 days from the City Clerk's attestation.
SECURITY DEPOSIT	No Security Deposit Required.
MAINTENANCE/ REPAIR DETAILS	The Landlord will maintain and repair the Premises at the Lessee's expense, except for a general warranty on all building mechanics (electrical, plumbing and sewer)for the first six (6) months. The Landlord will be responsible for maintaining and repairing the roof, structure and foundations of the existing buildings during the term of the lease. Landlord will bill back any and all maintenance activities that the City requests.
TENANT IMPROVEMENTS	The Landlord will deliver the property at their cost with an approved CUP for the asphalt recycling plant, demolish and leave a usable paved area of 2701 Bonnie Beach Place and 2713 Bonnie Beach Place, and perform any improvements required by the CUP. -Landlord shall demo the current main building "Processing Area" per the attached floor plan. -Landlord will provide electrical and water line on site
PARKING	As available, on site per the attached floor plan
UTILITIES	City will be responsible for paying utilities directly to providers
CUSTODIAL	Landlord will provide and bill back to City.
SECURITY	N/A
PROP 13 PROTECTION	City will not be responsible for property taxes.
INSURANCE	City Self Insured.

(City)

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OTHER:

Ownership to deliver site turn key with entitlements for an Asphalt Recycling Plant.

Ownership to demo two (2) buildings in the rear of the property located:

2701 Bonnie Beach Pl. 1950 22,631 sf

2713 Bonnie Beach Pl. 1950 16,025 sf

Landlord is aware of City ordinance obligations as required per the Lease Agreement.

PRINT:

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SIGNATURE:

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Recycled Asphalt Plant

4221 Bandini Boulevard
Vernon, CA 90058
Site: 169,193 SF (3.9 AC)

