Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2017-0430, **File Type:** Agreement **Agenda Number:** 12

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 19, 2017

SUBJECT: LEASE AGREEMENT WITH THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS BOARD OF COMMISSIONERS FOR PUBLIC TRANSIT USE OF LAX TERMINAL 27

ACTION: AUTHORIZE EXECUTION OF SEVEN (7)-YEAR LONG-TERM LEASE

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a seven (7)-year lease agreement ("Lease Agreement") with The City of Los Angeles Board of Airport Commissioners ("City"), having jurisdiction over Los Angeles World Airports ("LAWA"), allowing Metro to continue leasing 2.0177 acres of land and improvements located at Los Angeles International Airport ("LAX") Terminal 27, 6111 W. 96th Street, Los Angeles at a rental amount of $7,770 per month for a total lease value of $714,448 over the (7)-year lease term including an estimated 3.29% CPI adjustment assessed annually.

ISSUE

Metro operates Terminal 27 at LAX under an expired five-year lease last approved by the Metro Board on April 28, 2004. Terminal 27 lease expired on June 30, 2009. Upon expiration of the term in 2009, the lease continued on a month-to-month basis as a successor agreement was negotiated with LAWA's Real Estate Department.

LAWA has embarked on an airport modernization program at LAX. A component of this is the Landside Access Modernization Project ("LAMP") which provides for an automated people mover on the land currently occupied by Terminal 27. Within the next two years, LAMP plans require that Terminal 27 be relocated to a new site situated adjacent to the current location under a new configuration but comprised of approximately the same dimensions (See Figures 1 & 2 in Attachment B for details).

DISCUSSION

Terminal 27 is an integral part of the transportation network serving the City of Los Angeles and the LAX area. Terminal 27 has served as the hub of public transportation at LAX in its present location for 33 years. Terminal 27 serves several Metro bus lines and additional bus lines from the cities of Torrance, Culver City, and Santa Monica as well as Beach Cities Transit.

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The new Lease Agreement provides for the City to relocate Terminal 27 to a site owned by LAWA during the lease term to accommodate the proposed automatic people mover project, pay the cost of the replacement facility, and to work with Metro to assure a smooth transition to the new site for the remainder of the lease term. The seven-year term coincides with the timing for Metro's development of the Airport Metro Connector and bus terminal after which time Terminal 27 will no longer be needed.

DETERMINATION OF SAFETY IMPACT

The proposed lease will have no impact on safety.

FINANCIAL IMPACT

The new Lease Agreement provides for monthly payment of $7,770 (annually $93,240) and will cost $714,448 over the life of the Lease Agreement including provisions for annual CPI adjustments. The new annual lease payment represents a 2.56% increase over the expired Lease Agreement. Staff anticipated this increase and finds it to be in line with expected costs of escalation of rent. Funding for the new Lease Agreement includes general operating funds such as fares and sales tax and has been included in the Fiscal Year 2018 budget and will continue until lease termination.

ALTERNATIVES CONSIDERED

The alternative to continuing to lease at this site are abandon the site and discontinue service, or relocate to another location. These alternatives are neither practical nor recommended. Terminal 27 is an active terminal providing a covered facility for bus patrons loading and unloading and transferring to other bus lines in an otherwise restricted environment at LAX. The discontinuance of this Terminal would greatly inconvenience patrons utilizing public transportation to and from LAX. Metro-initiated relocation of Terminal 27 is also not advisable because of the significant financial investment required to develop the replacement terminal which will be required for a relatively short time.

NEXT STEPS

Upon approval as to form by County Counsel, the Metro-executed lease will be delivered to the City for counter-signature and placed on the agenda for full approval by the Airport Board of Directors at their September 2017 meeting.

ATTACHMENTS

Attachment A - Summary of Key Lease Terms
Attachment B - Lease Area Terminal 27

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ATTACHMENT A - SUMMARY OF KEY LEASE TERMS

LEASE AGREEMENT FOR TERMINAL 27

PREMISES	36,000 square feet (SF) of land and 522 SF of Restroom Space ("Exclusive Use Area"), and 51,891 SF of land and 4,128 SF of Canopy ("Non-Exclusive Use Area").
TERM	Seven years with provision for month-to-month upon expiration with a 30-day notice by either party.
COST	Monthly rent amount of $7,770 or an annual amount of $93,240.

Figure 1 Existing Configuration

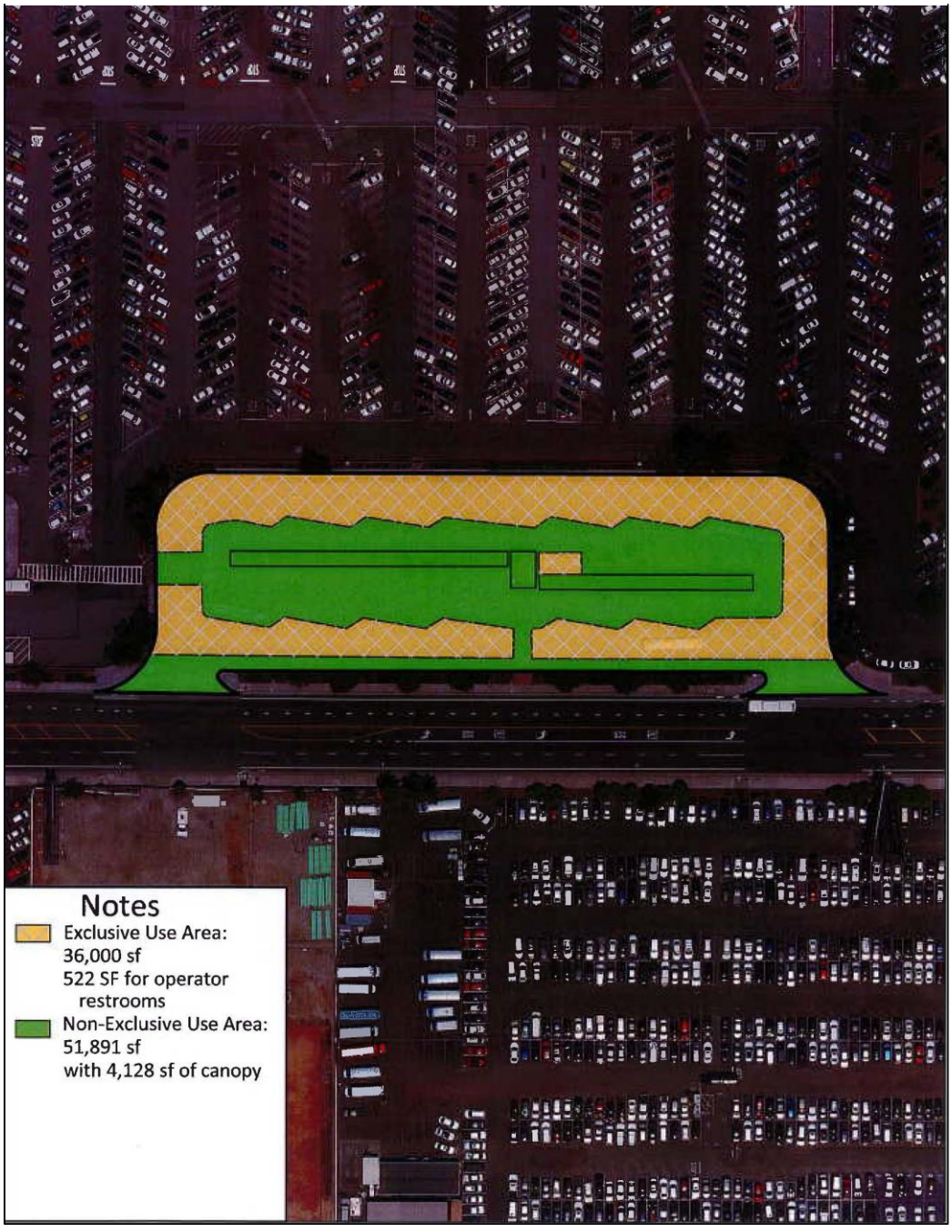

Figure 2 Reconfiguration