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

Metro

Board Report

File #: 2020-0670, **File Type:** Agreement **Agenda Number:** 5.

FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 18, 2020

SUBJECT: LEASE AGREEMENT FOR METRO OPERATOR LAYOVER OFFICE, 8305 HINDRY AVENUE, LOS ANGELES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three (3)-year lease agreement with two (2) one-year options commencing December 1, 2020 with Priceless Westchester Investment, LLC ("Lessor"), for the LA Metro rail operator layover space located at 8305 Hindry Avenue in Los Angeles at a rate of $4,810.00 per month with escalations of three percent (3%) annually and approximately $500,000 in tenant improvements for a total of $906,627.39 over the initial term and options, if needed (see Attachment B - Deal Points).

ISSUE

Metro is in need of a rail operator layover site for light rail transit operators along the Crenshaw/LAX (CLAX) line in close proximity to the Westchester/Veterans Station in Los Angeles to be complete and fully operational by summer 2021.

BACKGROUND

The location and scope of the Airport Metro Connector (AMC) construction project will require the temporary relocation of a current Metro rail operator layover space due to the AMC project requiring closure of rail operations within the project area. Originally located at the Southwest Maintenance Yard (SWY), the rail operator layover space - vital in providing necessary rest and transfer points for rail operators - will be moved to a new leased space consisting of 1,850 square feet to include bathrooms, breakroom and office space located within walking distance to the next northern CLAX station (Veterans/Westchester Station) until the AMC Station project is complete and ready to operate (see Attachment A - Lease Location and Plan Draft). Once rail operations are started in this area, the new operator layover space will be transferred back permanently to previous location at the SWY thus terminating the new lease location.

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DISCUSSION

Findings

The proposed location at 8305 Hindry Ave has been identified as the optimal location due to its close proximity to the Westchester/Veterans Station. Of the available sites, this location is the closest walking distance from the station, providing more safety and efficiency for Rail Operators. Metro Real Estate staff conducted a rental survey (Attachment C) and found the pricing is consistent with other surrounding properties, after taking into account the smaller size and better location.

Considerations

Without a Metro rail operator layover space near the Westchester/Veterans Station, Metro will not be able to meet the needs of the light rail operators required breaks and make the maximum use of their time to be rested and alert during their shift.

Equity Platform

This project addresses Metro's equity platform by improving access to Metro transportation services in underserved communities and stations.

DETERMINATION OF SAFETY IMPACT

This board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

Approval of the lease with Priceless Westchester Investment, LLC is estimated to be a total of $906,627.39 over the term including tenant improvements, and any term extensions if needed. The terms are within market rate for similar space in the area.

Impact to Budget

The proposed lease obligations & tenant improvements are currently budgeted in Airport Metro Connector FY21 budget.

Cost Center: 8510 Project: 860303
For Tenant Improvement: Account 53101 Task 3.3.02.04
For Lease: Account 51201 Task 3.4.02

Future lease obligations will be included in annual budget preparation.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 2, to provide "outstanding trip experiences for all."

ALTERNATIVES CONSIDERED

The alternative is to not select the proposed site and lease another site at an alternative location which would be less convenient and potentially add longer layover times for the CLAX Line operations.

NEXT STEPS

Complete negotiations of favorable lease terms with the landlord subject to review and approval by County Counsel. Upon Board authorization, Real Estate staff will finalize the lease agreement with Priceless Investment, LLC, forward to County Counsel for approval review, and submit for execution by the CEO for the initial three-year lease period and, if needed, additional lease options.

Tenant improvement construction is planned to begin approximately January 4, 2021, with occupancy expected summer 2021.

ATTACHMENTS

Attachment A - Lease Location & Plan Draft
Attachment B - Deal Points
Attachment C - Rental Survey

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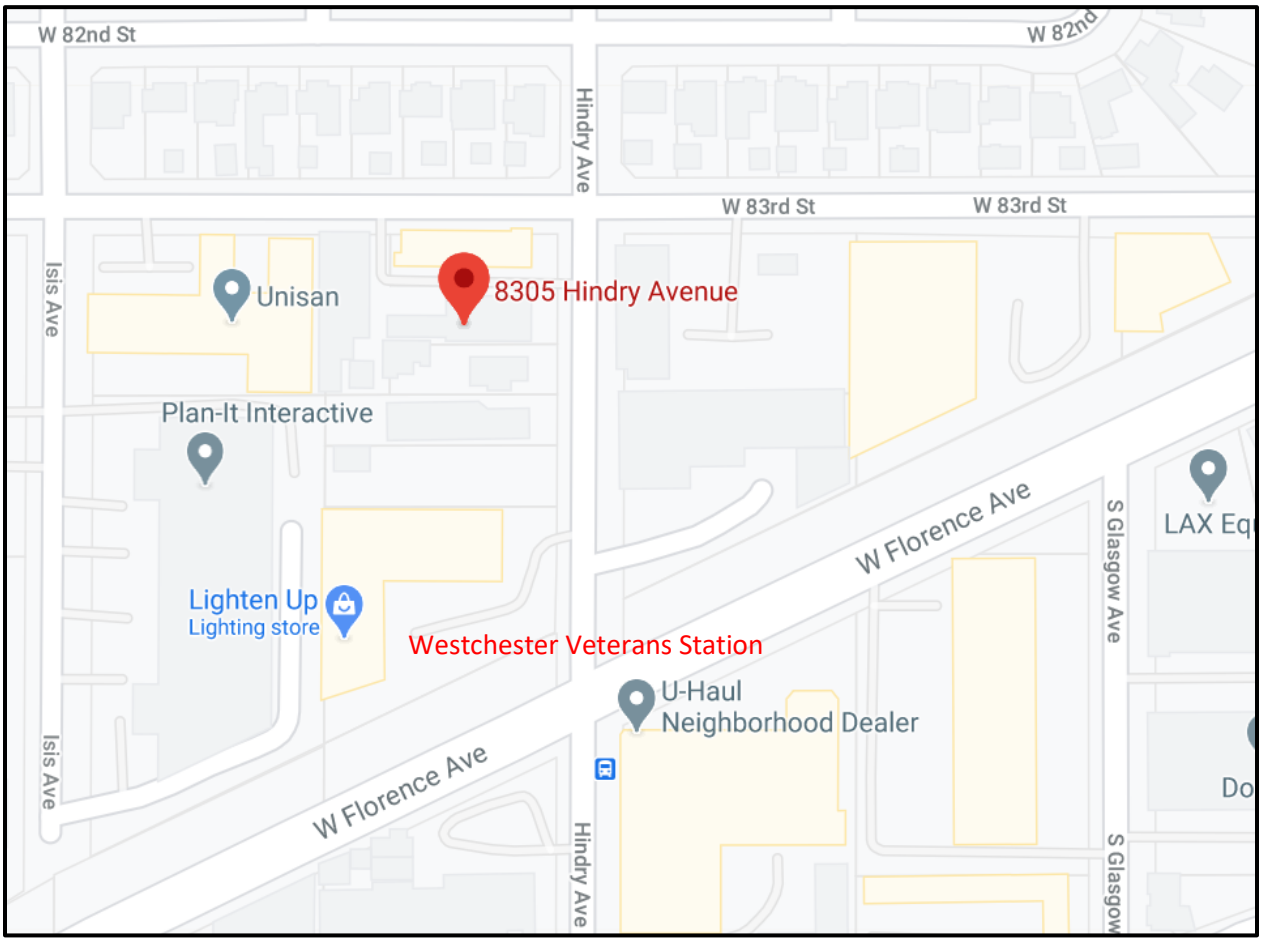
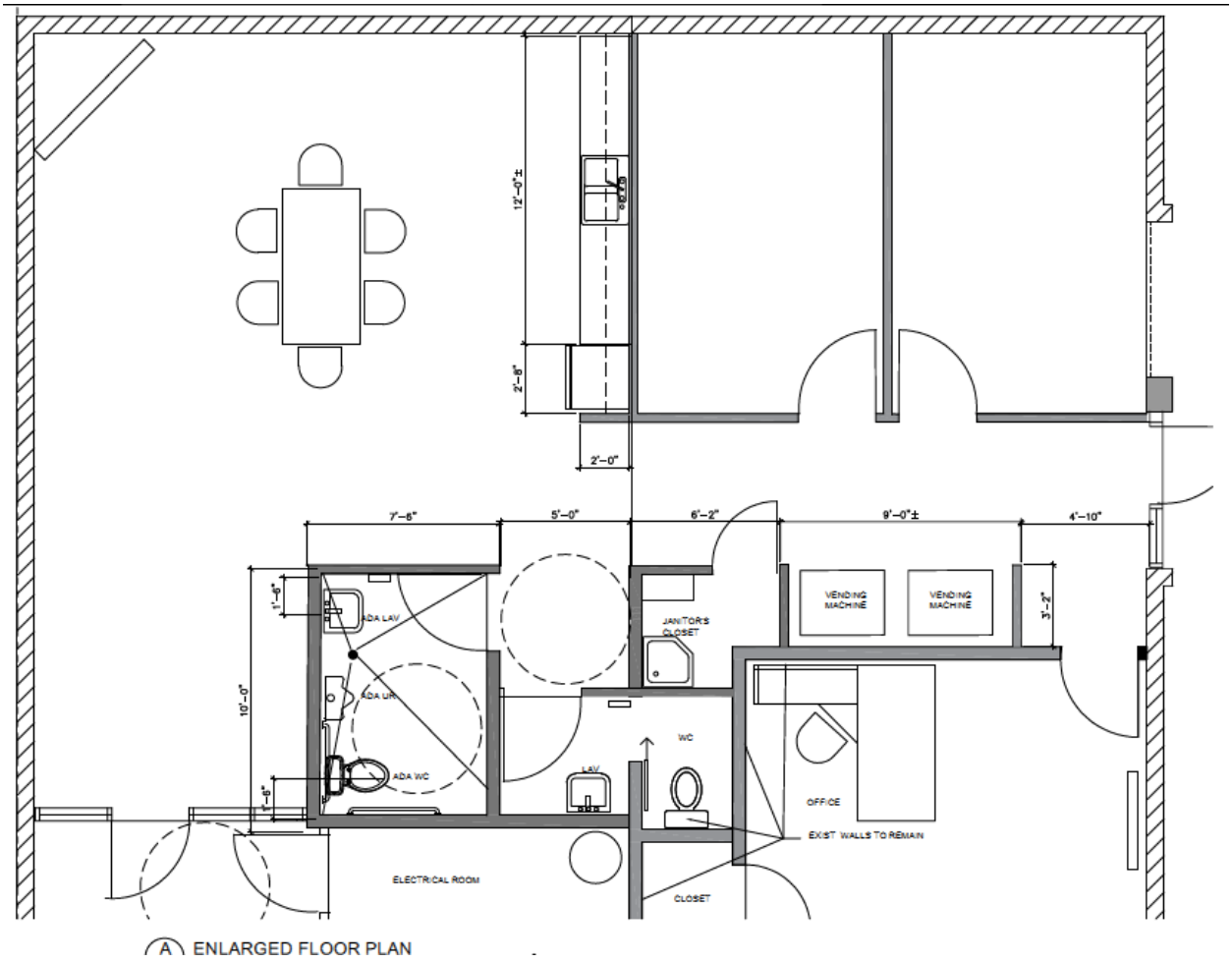
Phillip A. Washington
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft

Location Map



Floor Plan Draft



A ENLARGED FLOOR PLAN

Attachment B – Deal Points

New or renewal	New Lease
Landlord/Owner	Priceless Westchester Investment, LLC
Location	8305 Hindry Avenue, Los Angeles
Premises	Approximately 1,850 square feet
Purpose	An Operator Rest Stop and security office to support the Manchester/Veterans Station.
Commencement and Duration (note any extensions)	Three-years commencing approximately January 1, 2021 with two one-year extensions.
Total Cost	The total lease value is approximately $906,627.39 over the initial three (3)-year term, two one (1)-year option terms and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by Costar.
Background with this Landlord	None. This will be the first transaction with the landlord, Priceless Investment, LLC.
Special Provisions	The TI's are estimated to cost about $500,000. The work will be performed by the landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money budgeted in Airport Metro Connector Budget.

Exhibit C – Rent Survey Summary

Photo	Address	Building Type	SF Available	Effective Rental Rate	Comments
	****Subject Property** 8305 Hindry Ave. Los Angeles	Industrial	1,850 SF	$2.35	This is the only site available within walking distance of the Westchester Veterans Station and is not oversized.
	420 S. Hindry Ave. Inglewood	Industrial	2,940 SF	$2.30	This site is not within walking distance and requires leasing 1,000 SF more than necessary.
	440 S. Hindry Ave. Inglewood	Industrial	4,016 SF	$2.30	This site is not within walking distance and requires leasing 2,200 SF more than necessary.
	936 W. Hyde Park Blvd., Ingelewood	Industrial	5,600 SF	$2.22	This site is not within walking distance and requires leasing 2,200 SF more than necessary.
	8320 Isis Ave. Los Angeles	Industrial	10,420 SF	$1.65	This site is not within walking distance and requires leasing 8,560 SF more than necessary.
	409 Oak St. Inglewood	Industrial	3,900 SF	$2.00	This site is not within walking distance and requires leasing 2,050 SF more than necessary.
	1031 Manchester Blvd. Inglewood	Industrial	1,490 SF	$2.00	This site is not within walking distance and requires leasing 8,560 SF more than necessary.