



Board Report

File #: 2020-0759, File Type: Agreement

Agenda Number: 6.

FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 20, 2021

SUBJECT: SECOND AMENDMENT TO STANDARD COMMERCIAL LEASE AGREEMENT WITH PBONE OSF-C, LLC, FOR THE METRO OFFICE LEASE FOR VARIOUS OPERATING DEPARTMENTS LOCATED AT 100 S. SANTA FE AVENUE, SUITE 100, LOS ANGELES

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a Second Amendment to the Standard Commercial Lease Agreement to make improvements totaling approximately \$150,765 and to continue renting 70 parking spaces at a cost of \$159,600 annually (total of \$798,000 over the option term of 5 years), commencing March 1, 2021 with PBONE OSF-C, LLC (“Lessor”) for the Metro Operations and Training office located at 100 S. Santa Fe Avenue, Suite 100, Los Angeles.

ISSUE

The office lease at 100 S. Santa Fe Avenue, Suite 100, Los Angeles (“One Santa Fe”), which provides essential office space for system maintenance services and safety training for Metro vendors and other Metro departments, includes leasing 70 parking spaces. Currently Metro is actively using all 70 existing parking spaces for staff and equipment parking. The parking space lease will terminate on February 28, 2021 if not amended. In addition, repair work to the ventilation, alarm and lighting systems that serve the premises is required.

BACKGROUND

Metro exercised its first option to extend the lease at One Santa Fe for an additional five (5) years from March 1, 2021 to February 28, 2026 (“Option Term”). This option included predetermined rental rates for the office space but did not include a predetermined rental rate for the 70 parking spaces which requires separate negotiation to lock in a new rental rate for the period of the Option Term.

In addition, the office space at One Santa Fe has had longstanding issues with the ventilation in certain areas of the premises, the volume of the alarm system, and lighting in certain areas which need to be remedied.

DISCUSSION

The newly exercised Option Term allows for the Lessor to revise the rate up to prevailing rates for similar parking in the area. The parking at One Santa Fe is used for Metro vehicles for emergency responses and maintenance issues and for on-site employee parking.

This Second Amendment documents the negotiated portion of the rent for the parking spaces during the exercised Option Term. The parking rent will increase from \$9,100 per month up to \$13,300 per month for a total amount of \$798,000 over the Option Term.

Metro Real Estate staff is taking this opportunity to memorialize other processes, impose stricter maintenance obligations, and make some repairs to portions of the ventilation, alarm and lighting systems. The estimated one-time cost of these repairs is \$150,765.

Findings

The lease allows the Lessor to raise the rental rate for the parking spaces to prevailing rates for similar parking spaces during the Option Period. Metro Real Estate staff was provided prevailing parking data from the Transportation Demand Management (TDM) staff to assist in negotiating the new parking space rental rate. The newly negotiated parking rate resulted in a rate lower than prevailing rates. This savings will offset the cost of the repairs the Lessor will begin making after the amendment is executed.

Considerations

The onsite, secured and gated parking spaces at One Santa Fe is the safest and most secure option for Metro vehicles which have expensive service equipment stored inside. Other available parking spaces are not as secure and are integrated with non-Metro public parking at locations which are farther away and may slow down emergency response times.

Equity Platform

This project addresses Metro's equity platform by assuring consistent quality of operations throughout the system in underserved communities and that all vendors receive uniform training for access to Metro rail properties.

DETERMINATION OF SAFETY IMPACT

The departments located at One Santa Fe provide essential safety training for employees and vendors needing access to Metro rail property. The repairs to the lighting, ventilation and alarm system will improve the health and safety for One Santa Fe employees and visitors.

FINANCIAL IMPACT

Approval of the lease amendment with PBONE OSF-C, LLC, for parking space rent as well as proposed repairs is estimated to be a total of \$948,765 over the five (5)-year Option Term. The rental

rate is within market rate for similar parking spaces in the area.

Impact to Budget

Rental costs for One Santa Fe are included annually in the Real Estate budget 0651.300040.01.01.51201 Rent Property/Facilities. Future rental obligations will be requested in the annual budget process. Funds used are eligible for rail operating expenditures.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goal #5: “Responsive, accountable, and trustworthy Metro within the organization.”

ALTERNATIVES CONSIDERED

The alternative would be to lease parking spaces at an alternate off-site location for staff and Metro vehicles that would be more expensive, less secure and increase staff travel time between locations.

NEXT STEPS

If approved by the Board, the Metro CEO will execute the lease amendment with PBONE OSF-C, LLC.

ATTACHMENTS

Attachment A - Lease Location

Attachment B - Deal Points

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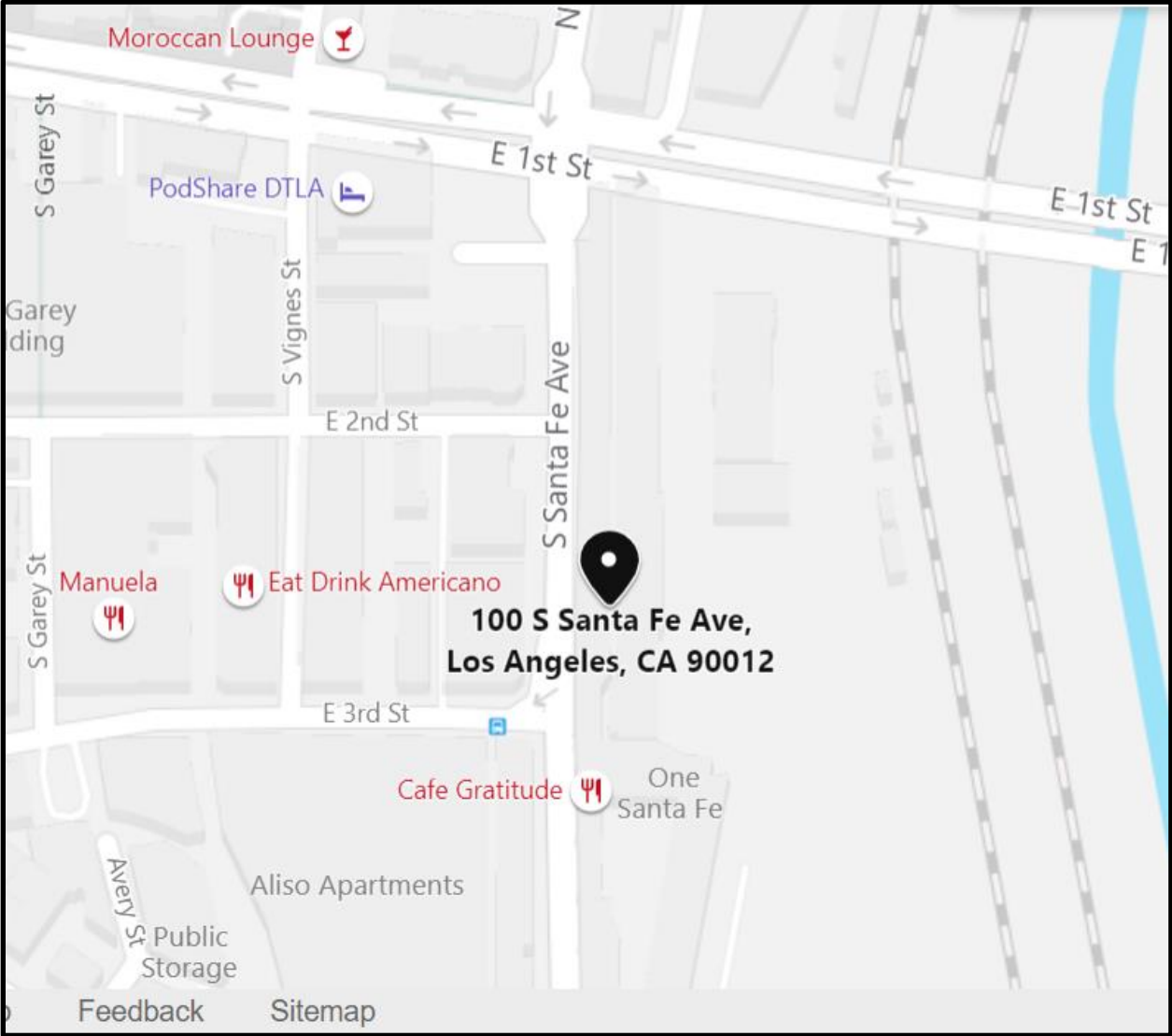
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Phillip A. Washington
Chief Executive Officer

Attachment A –Lease Location

Location Map



Attachment B – Deal Points

New or renewal	2nd Amendment to Lease
Landlord/Owner	PBONE OSF-C, LLC
Location	One Santa Fe Avenue, Suite 100, Los Angeles
Premises	70 Parking Spaces
Purpose	Continued use for Metro Transportation Operations, Maintenance of Way, and Rail Fleet.
Commencement and Duration (note any extensions)	Five (5) additional years commencing approximately March 1, 2021.
Total Cost	The total lease amendment value is approximately \$948,765 over the additional five (5)-year term including parking and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Metro Real Estate was provided prevailing parking data from Metro Transportation Demand Management.
Background with this Landlord	This underlying lease is with this landlord, PBONE OSF-C, LLC.
Special Provisions	The TI's are estimated to cost about \$150,765. The work will be performed by the landlord and Metro will reimburse after the work is completed.