



Board Report

File #: 2021-0461, **File Type:** Agreement

Agenda Number: 18.

**FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 17, 2021**

SUBJECT: LEASE AGREEMENT WITH THE CITY OF AZUSA FOR THE SYSTEM SECURITY OFFICE LOCATED AT 890 THE PROMENADE IN AZUSA

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) or their designee to execute a ten (10)-year lease agreement with four (4) five-year options commencing May 1, 2022 with the City of Azusa (“Lessor”), for the System Security and Law Enforcement (SSLE) office for 8,206 rentable square feet located at 890 The Promenade in Azusa at a rate of \$20,555 per month with escalations of three percent (3%) annually and approximately \$2,865,318 in tenant improvements for a total of \$5,443,930 over the initial term with four 5-year options, if needed.
- B. AMENDING the FY22 budget to include an additional \$1,920,878 for FY2022 and one-time tenant improvements (initial lease costs).

ISSUE

With the Eastern expansion of the Gold Line System Security and Law Enforcement (SSLE) is requesting a deployment facility to provide infrastructure protection in the Azusa area and eastward as the Gold Line expands. This facility will allow Transit Security Officers to be deployed from the APU/Citrus College Station to protect Metro assets, employees, patrons and help deter unlawful entry into secured areas along the Gold Line. Additionally, as we reimagine our public safety efforts and continue to embrace the expansion of community engagement opportunities with ambassadors, mental health and homeless outreach workers, this space will provide the ability for these teams to deploy from the areas they serve.

BACKGROUND

Metro has need for a SSLE presence to provide infrastructure protection on the eastern portion of the Gold Line and has identified the Azusa Building as an optimal location. The building located at 890 The Promenade in Azusa (Azusa Building) is uniquely situated right next to the APU/Citrus College Station in Azusa allowing for quick walking distance access to the Gold Line. This location will aid in

supporting the expansion of the Gold Line and reduce response times to calls for service on the current line.

DISCUSSION

A presence is needed along the Eastern portion of the Gold Line to assure timely responses to security issues in the Irwindale/Azusa area and further East as the Gold Line expands toward Pomona. Without this deployment facility System Security will have severely delayed response times to infrastructure protection issues along the eastern portion of the Gold Line.

Of the four locations considered, only the Azusa Building is located within close walking distance of the Gold Line. The other locations are 1.5 to 3 miles away. Driving to the station and parking would add 10 to 20 minutes to SSLE response time and, it would be difficult and more costly to secure Metro assets at the other locations because they are in shared buildings and parking areas. After reviewing the three comparable properties (Attachment "C"), it was determined that the initial rental rate of \$1.40 per square foot (PSF) is within the range of fair market, NNN (Triple Net). Consistent with NNN leases, Common Area Maintenance (CAM), insurance and property taxes are paid separate from rent. In addition, costs have been estimated for utilities, interior maintenance and janitorial services for a 24/7 operation. Those costs are estimated to add an additional \$1.1048/PSF to the lease cost per month. This amounts to the \$20,555 per month total costs shown below. The tenant improvements shown in Exhibit D will be paid as follows:

The total tenant improvements (TI) will cost:	\$3,111,498
Lessor will contribute \$30 per SF toward TI's:	<u>(\$246,180)</u>

Metro will pay the net TI costs:	\$2,865,318
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This lease will provide a facility to deploy an initial team of 24 Metro Transit Security Personnel as well as 50 contract security personnel. Additionally, as we reimagine our public safety efforts and continue to embrace the expansion of community engagement opportunities with ambassadors, mental health and homeless outreach workers, this space will provide the ability for these teams to deploy from the areas they serve. Moreover, this facility prepares Metro to better address the needs of patrons and employees as the system continues to grow with the Gold Line expansion.

DETERMINATION OF SAFETY IMPACT

The proposed lease will have a direct impact on Metro's safety standards by increasing System Security's ability to respond to and address safety issues along the Gold Line as it expands Eastward.

FINANCIAL IMPACT

The proposed rent for FY22 is \$41,110 (\$20,555 monthly), which is currently budgeted in

0651.300055.55.8.01.51201 Rent Property/Facilities. Future lease obligations will be included in annual budget preparation by Real Estate staff.

The one-time lease improvements for FY22 are \$2,865,318, which are not currently budgeted in full. If approved, \$1,920,878 will be added to FY22 budget 0651.300055.55.8.01.51201 Rent Property/Facilities to cover all remaining unbudgeted expenses.

Impact to Budget

The funding for the proposed lease is the general fund, right-of-way. The funding source is eligible for bus & rail operations and capital projects.

EQUITY PLATFORM

This lease will not have any direct equity impacts. This lease will provide enhanced security for Metro infrastructure in the protection of Metro assets and employees, as well improved service and response times for patrons using the system, particularly on the San Gabriel Valley portion of the Gold Line. The lease will allow for a more effective deployment strategy of existing security personnel as it will minimize travel time to and from their work location to their assigned posts. The decentralized deployment strategy also creates an opportunity for existing security personnel to establish relationships with frequent riders utilizing the system. Security personnel will still have the ability to summon additional services for those in need including homeless outreach teams, mental health counselors, medical aid or other necessary care. Security personnel will be available to remind users of the system of our efforts for a clean and safe ride and to provide masks when needed. This lease is an essential link in Metro's overall rail security measures to ensure and maintain the security and stability of the Gold Line rail, platform, employees and riders and to keep the Metro system dependable and comfortable for all who rely on Metro for their transit options.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #2: "Deliver outstanding trip experiences for all users of the transportation system."

ALTERNATIVES CONSIDERED

The alternative is to not select the proposed site and lease another location that would be less convenient with added delays in response times to security issues along the eastern portion of the Gold Line.

NEXT STEPS

Upon board authorization, Real Estate will finalize the lease agreement with the City of Azusa, forward to County Counsel for approval, and submit for execution by the CEO or their designee for the initial 10-year lease period and, if needed in the future, additional lease options.

ATTACHMENTS

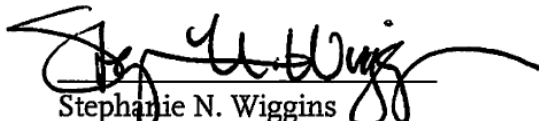
Attachment A - Location Map and Plan Draft
Attachment B - Deal Points
Attachment C - Rent Comparison
Attachment D - Tenant Improvements

Prepared by: John Beck, Principal Real Estate Officer, Countywide Planning & Development, (213) 922-4435

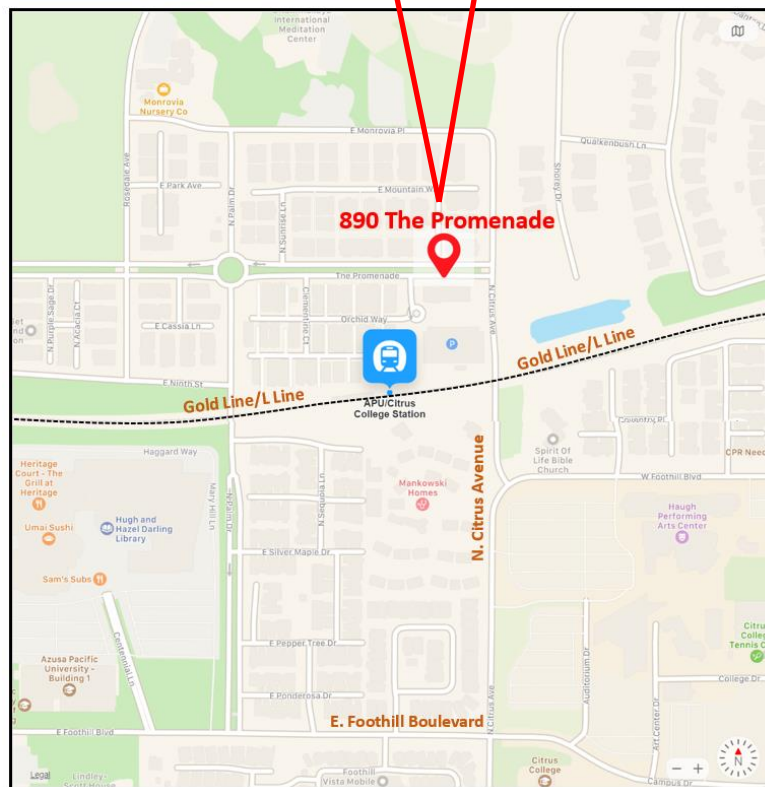
John Potts, Executive Officer, Countywide Planning & Development, (213) 928-3397
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Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920

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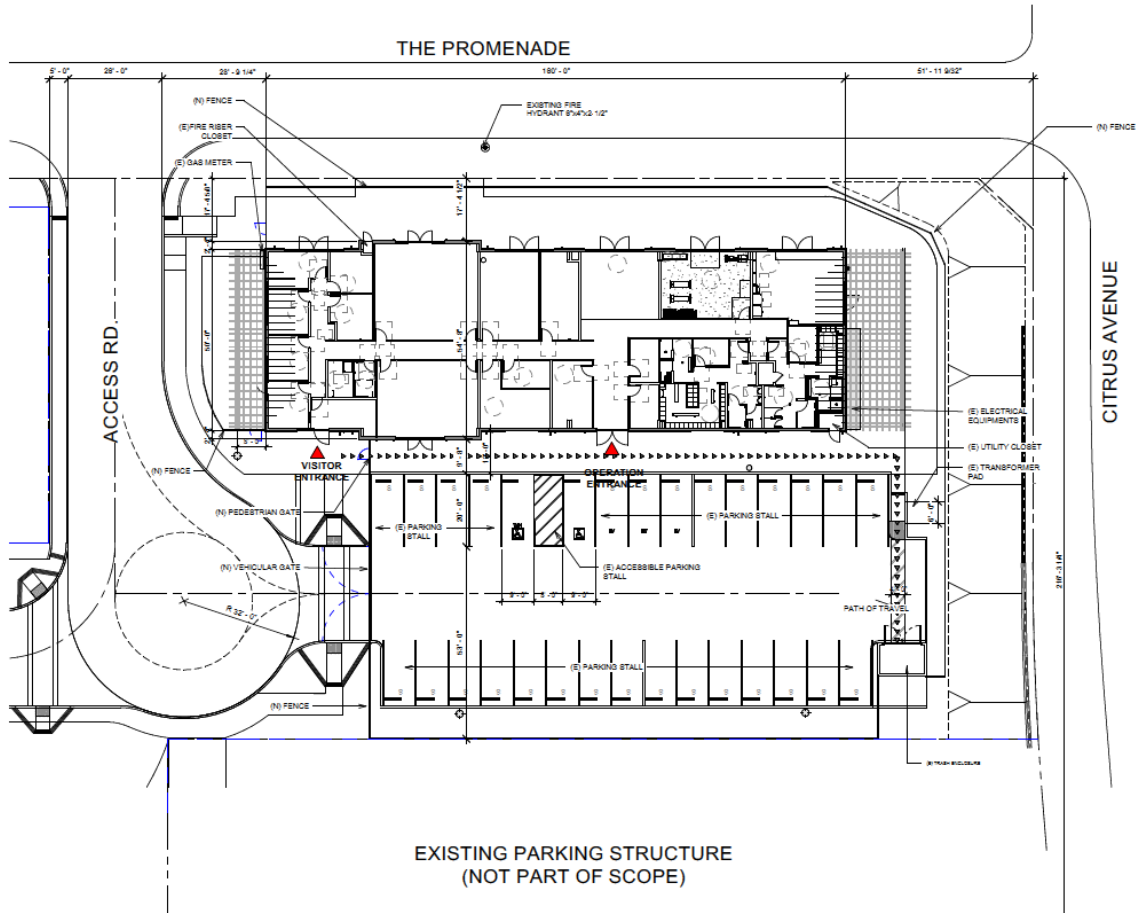

Stephanie N. Wiggins
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft



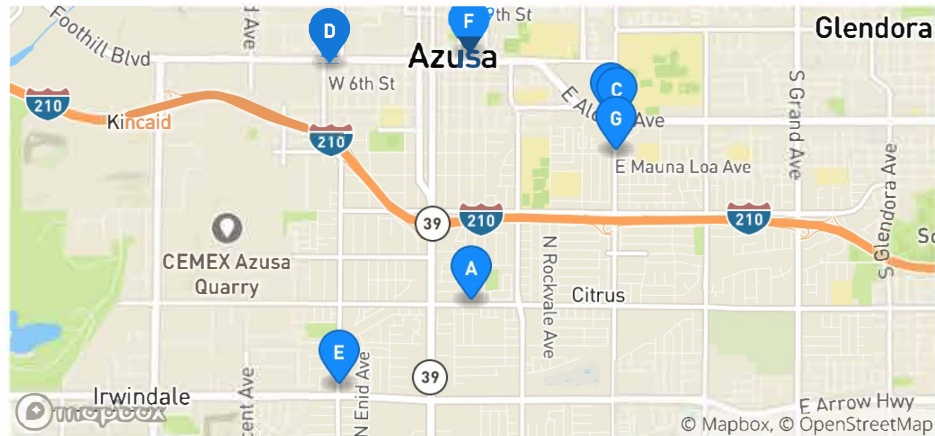
890 The Promenade, Azusa

Floor Plan Draft



Attachment B – Deal Points

New or renewal	New Lease
Landlord/Owner	City of Azusa
Location	890 The Promenade, Azusa
Premises	Approximately 8,206 square feet
Purpose	A System Security and Law Enforcement office.
Commencement and Duration (note any extensions)	10-years commencing approximately May 1, 2022 with four 5-year options to extend.
Total Cost	The total lease value is approximately \$5.4 million over the initial ten (10)-year term, and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by professional broker, Colliers.
Background with this Landlord	None. This will be the first transaction with the landlord.
Special Provisions	The TI's are estimated to cost approximately \$2,578,611. The work will be performed by the landlord and will be invoiced to Metro. Any additional tenant improvements greater than \$500,000 will go back to the Board for approval.



CREATED ON

October 13, 2021 at 10:00 PM

PREPARED BY

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ADDRESS	TRANS. QTR.	TENANT	SIZE	FLOOR(S)	TRANS. TYPE	TERM	STARTING RENT	RENT SCHEDULE	FREE RENT	WORK VALUE
A 465 East Gladstone Street	2020 - Q2	Dollar Tree	10,020 SF		New Lease	10y	\$0.73 (Monthly)		4m	
C 392 North Citrus Avenue	2019 - Q3	Azusa Pacific University Galileo Studio	6,383 SF	Ground	Extension	3y	\$1.83 (Monthly)	3.00% per year	0m	\$0.00
	2019 - Q3	APU Galileo Studio	6,383 SF		New Lease	3y	\$1.83 (Monthly)	3.00% per year	0m	\$0.00
D 850 West Foothill Boulevard	2019 - Q2	DMC Exhaust Werks	1,000 SF			5y	\$1.35 (Monthly)			
E 837 South Lark Ellen Avenue	2019 - Q2	Levon Saribekyan	1,125 SF		New Lease	2y	\$1.00 (Monthly)	3.00% per year	1m	\$4.80
F 353 East Foothill Boulevard	2019 - Q2	Chinese Restaurant	3,152 SF			6y	\$2.10 (Monthly)	3.00% per year	6m	
G 310 North Citrus Avenue	2019 - Q1	The Ministry of Peculiarities	4,000 SF			3y	\$1.20 (Monthly)			

Data provided by COMPSTAK

All information is not guaranteed. Some of the data on this report was provided by preparer and not verified by CompStak.

Average Rent \$1.43 SF

Exhibit C - Rent Comparison

Exhibit D - Tenant Improvements

Estimated Leasehold Improvement Costs and Estimated Furniture, Fixtures, and Equipment Costs for L A Metro Proposed Facilities at The Promenade at Citrus 890 The Promenade, Azusa, CA 7/19/2021	
Hard Costs:	
*Tenant Improvements Hard Costs (Incl. GC fees, Insurance, & Contingency)	\$ 2,224,260
Soft Costs:	
Construction Management Fee	\$ 254,690
Architectural and Engineering Fees (including Landscape Architect)	\$ 183,545
Reimbursables (Printing, Delivery, Postage)	\$ 12,000
Building Plan Check, Permit, and Planning Review Fees	\$ 35,000
LA County Fire Review Fee	\$ 2,000
AQMD Fee (for Emergency Generator)	\$ 925
Sanitation District Fees	\$ -
School Fees	\$ -
City Utility Construction Fees	\$ -
Subtotal: Leasehold Improvements Hard and Soft Costs	\$ 2,712,420
Furniture, Fixtures, and Equipment Costs:	
Furniture, Fixtures, and Equipment (Incl. Tax, Installation & Contingency)	\$ 399,078
Total Estimated Project Costs	\$ 3,111,498
Less: Landlord's Contribution: (\$30 Per Square Foot) (8,206 SF)	\$ (246,180)
NET ESTIMATED EXCESS PROJECT COSTS	\$ 2,865,318

* Tenant Improvement Hard Costs detail on Page 2

**Expanded Hard Costs
for L A Metro Proposed Facilities
at The Promenade at Citrus
890 The Promenade, Azusa, CA**

Hard Costs:

Demo/Site/Misc. Metals	\$ 153,541
Exterior Site (Gate and Security Fence)	\$ 110,000
Interior Walls/Vertical	\$ 122,000
Windows/Glass/Glazing/Doors	\$ 242,741
Flooring & Ceramic Tiles	\$ 134,712
Accessories (Toilets, fixtures, equipment, signs)	\$ 20,735
Mechanical, Electrical and Plumbing	\$ 687,725
Fire Sprinkler and Alarm	\$ 57,806
Overhead/General/Admin/GC Profit/Insurance/Bonding	\$ 419,316
Contingency (supply chain issues, price volatility, labor)	\$ 275,684
TOTAL HARD COSTS	\$ 2,224,260