

APPROVED

NOV 03 2010

REPORT OF GENERAL MANAGER

NO. 10-292

DATE November 3, 2010

BOARD OF RECREATION
and PARK COMMISSIONERS

C.D. 9

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: 5413 SOUTH AVALON BOULEVARD - SOUTH LOS ANGELES WETLANDS PARK - PROPOSED GROUND LEASE BETWEEN CITY OF LOS ANGELES AND THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

R. Adams	_____	F. Mok	_____
H. Fujita	_____	K. Regan	_____
S. Huntley	_____	*M. Shull	<u>mf</u>
V. Israel	_____		

Reg Adams
General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve a proposed Ground Lease Agreement, substantially in the form on file in the Board Office, between the Los Angeles County Metropolitan Transportation Authority (MTA), and the City of Los Angeles (City), for the continuation of tenancy by MTA for an additional term of approximately one year past September 30, 2010 with the inclusion of a holdover clause and a modification of the legal boundaries of the lease area as shown in Exhibit A, subject to the approval of the Mayor, City Council, and the City Attorney as to form.
2. Direct the Board Secretary to transmit forthwith the proposed Lease to the Mayor in accordance with Executive Directive No. 3 for review and approval, and concurrently to the City Attorney for review and approval as to form;
3. Authorize the Board President and Board Secretary to expeditiously execute the lease upon receipt of the aforementioned approvals; and,

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4. Authorize the Department's Chief Accounting Employee to establish the necessary accounts to accept rental payments from the MTA for the South Los Angeles Wetlands Park (SLA Wetlands) Project site, and to transfer the necessary monies from said account, to fund or reimburse project costs to the appropriate City Departments in order to expeditiously effectuate the development of the SLA Wetlands site in accordance with the development plan and schedule.

SUMMARY:

On December 12, 2007, through Board Report No. 07-299, the Board of Recreation and Park Commission (Board), gave preliminary approval for the acquisition and development of a nine-acre parcel with a street address of 5413 South Avalon Boulevard and Assessor Parcel Number (APN) of 5101-002-900. On January 21, 2009, the Board approved through Board Report No. 09-003 (revised), the acquisition and development of the nine-acre parcel located at 5413 South Avalon Boulevard. The Board also approved a ground lease between the MTA and City for the continued tenancy of MTA at 5413 South Avalon Boulevard until September 30, 2010.

The purpose for acquiring the parcel was to develop the site into a park with various recreational and community center components consisting of a Pocket Park, Wetlands and a Community Center and Transit Museum or Interpretive Display Center. The SLA Wetlands Park project will be completed in three phases.

The development plans call for the development of 1.1 acre park by the Bureau of Engineering (BOE) along the southwestern border of the parcel along 55th Street. The park will contain tables, benches, landscaping, and decomposed granite paths. BOE will also develop a wetland on the northern portion of the acquired parcel. The Wetlands is intended to be a demonstration project for the management and reuse of stormwater and dry weather runoff. Part of the Wetlands project will recreate habitat diversity which was once part of the area. Once the park and Wetlands are completed, the third phase of development will begin and will feature the "South Park Shops" largest structure, an 84,000 square-foot building which will be renovated and converted into a Multi-Use/Interpretive Center. During a portion of this development/planning stage of the site, MTA was approved to remain as a tenant at the acquisition site. The MTA's tenancy was approved via a Ground Lease Agreement No. 283 from February 20, 2009 through September 30, 2010.

MTA has recently approached the City and requested an extension of the ground lease that would allow them additional time to remain as tenants at the SLA Wetlands site. MTA and City have negotiated a new termination date of September 30, 2011. MTA has indicated that as result of unforeseen problems and delays with its project, MTA will not be able to move into their new operations location as expected.

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This has presented the City with a problem by causing potential delays to the City's SLA Wetlands Project. BOE had intended to take possession of the entire SLA Wetlands project site by October 1, 2010, which would have allowed the City contractor to work on the entire site.

MTA's continued presence at the project site will require some readjustment to the City project schedule. In order to accommodate both projects and continue a friendly relationship, both the City and MTA have been negotiating a compromise that will benefit both parties and avoid costly overruns.

On August 2, 2010, MTA's Deputy Chief Executive Officer and the City Engineer met and agreed to a two-phase move-out plan. The first phase of the plan calls for MTA to move from all buildings, located on the north side of the Project site. This will enable BOE to release the north side of the project site to the City Contractor allowing the City project to continue. The agreed upon two phase move-out plan will allow MTA to remain in Building 71 and the southeast corner of the project site until January 11, 2011, and is expected to be completely out of the entire South Los Angeles Wetland's project site.

MTA has already vacated the northerly portion of the project site as part of the first phase. MTA move out took place on September 30, 2010. The City's contractor has taken possession of the north side of the project site, see Exhibit A. MTA continues to occupy Building 71 and southeast corner of the project site and is expected to complete the 2nd phase of the move-out plan by January 11, 2011.

A lease will be required to memorialize all the terms and points of this new tenancy agreement. As part of this new tenancy and in consideration for remaining at the site, MTA has agreed to pay rent to the City, which will be paid into a RAP special account. The funds collected in this account will be used to reimburse and pay for the SLA Wetlands Project costs. MTA has agreed to pay rent starting October 1, 2010 until the end of the MTA tenancy at the SLA Wetlands project site. The scheduled rent payments are as follows:

Rent:

October 1, 2010 through November 14, 2010: Tenant shall pay to City One Dollar (\$1.00);

November 15, 2010 through December 12, 2010: Tenant shall pay to City Seventeen Thousand, Five Hundred Dollars (\$17,500.00) per week or Two Thousand, Five Hundred Dollars (\$2,500.00) per day for every day that Tenant remains on the Property, whichever is less;

December 13, 2010 through January 14, 2011: Tenant shall pay to City Thirty-Five Thousand Dollars (\$35,000.00) per week or Five Thousand Dollars (\$5,000.00) per day for every day that Tenant remains on the Property, whichever is less;

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January 15, 2011 through termination of the Lease: Tenant shall pay to City Fifty Thousand Dollars (\$50,000) per week or Seven Thousand One Hundred Forty-Two Dollars and eighty-six cents (\$7,142.86) per day for every day that Tenant remains on the Property, whichever is less.

The term of this new lease will be for one year starting October 1, 2010 and terminating September 30, 2011. Said lease does contain a holdover clause that will allow the tenant to remain on the property on a month-to-month basis if the tenant remains in possession of the premises.

Environmental:

Staff has determined that the proposed amendment to the ground lease will not have a significant effect on the environment, and is in compliance the California Environmental Quality Act (CEQA) based on previous evaluation of the acquisition and recreational development of the subject property. The development of this property was evaluated in an Environmental Impact Report (EIR) that was certified on April 8, 2008, and a Notice of Determination (NOD) was filed with the Los Angeles County Clerk on April 11, 2008. The amendment to the ground lease will not affect the scope of the redevelopment of the site and will not require any new mitigation measures. In addition, the new lease area, which will correspond to essentially the phase 2 area of the redevelopment, is not expected to have a substantial effect on the overall project construction schedule before MTA vacates the property or the amended lease expires. Therefore, no additional environmental impacts are anticipated as a result of the amendment to the ground lease, and the Findings of Effect will not change; no further CEQA documentation is required for Board Approval.

In addition to the Office of Council District Nine, the Assistant General Manager of Operations East concurs with staff's recommendations.

FISCAL IMPACT STATEMENT:

It is not expected that there will be additional fiscal impacts as a result of these recommendations. There could be additional administrative costs associated with the maintenance and establishment of the new rental account. The Department will save on park operation and maintenance costs. Once the project is completed the maintenance funds for the new parkland will be requested as part of the Department of Recreation and Park's annual City Budget process.

This report was prepared by John Barraza, Management Analyst II of the Real Estate and Asset Management, Planning and Construction Division.