

11

# REAL ESTATE & ASSET DEVELOPMENT

11

## COMMITTEE RECOMMENDATION

The Real Estate & Asset Development Committee recommends approval to negotiate a Joint Development Agreement and Ground Lease with Chatsworth Storage, with final documents to be approved by the Board.

RE 4

RE 4



July 31, 1995

Los Angeles County  
Metropolitan  
Transportation  
Authority

TO: REAL ESTATE AND ASSET DEVELOPMENT COMMITTEE

THROUGH: FRANKLIN E. WHITE

FROM: JUDITH A. WILSON *[Signature]*  
JUDITH T. PIERCE *[Signature]*

SUBJECT: AUTHORIZATION TO NEGOTIATE THE JOINT DEVELOPMENT AGREEMENT AND GROUND LEASE FOR INTERIM DEVELOPMENT OF CHATSWORTH "WYE" PROPERTY

RECOMMENDATION

1. Authorize staff to negotiate a Joint Development Agreement and Ground Lease with Chatsworth Storage pursuant to the basic business terms summarized in Attachment 1 and return to the Board at the September, 1995 meeting for final approval; and,
2. Authorize and direct the Real Estate and Asset Development Committee to meet with and provide instructions to the MTA real estate negotiators with respect to the negotiation of the terms of real estate and joint development transactions, which will be subject to final approval by the MTA Board.

DBE PARTICIPATION

The Equal Opportunity Department has recommended that the Disadvantage Business Enterprise (DBE) goal be waived for Request for Proposals (RFP) No. JD95-001 because of the small scale of this project. The Equal Opportunity Department requested that Disadvantaged, Minority and Women owned business enterprises be specifically targeted in any and all advertising of these development opportunities. The RFP was advertised and distributed incorporating this goal.

ALTERNATIVES CONSIDERED

The alternative to the recommended course of action is to not execute a Joint Development Agreement and Ground Lease. This alternative is not recommended because the proposed development project will potentially generate a revenue stream to the MTA until at least the year 2012. The recommendation is consistent with the January, 1994 Joint Development Committee request that staff pursue development of revenue-producing uses on MTA-owned real property assets.

IMPACT ON BUDGET AND OBJECTIVES

The implementation of this course of action will produce additional revenue to the MTA of approximately \$72,000 a year in initial base rent to be adjusted upward in accordance with the terms outlined on page 2 of Attachment 1 (Term Sheet).

818 West Seventh Street  
Suite 300  
Los Angeles, CA 90017

213.972.6000

Mailing Address:  
P.O. Box 194  
Los Angeles, CA 90053

## BACKGROUND

MTA's Joint Development Department solicited developers through an RFP process for the interim private use of two specific MTA-owned parcels in Chatsworth (see Attachment 2 and attached parcel maps). The properties were offered for interim development projects on a lease basis for the period prior to their anticipated need for transit purposes, which is not expected before 2012. Status reports were presented to the Joint Development Committee in October, 1994 and to the Real Estate and Joint Development Committee in January and April, 1995.

This staff report pertains to Site 2 of the two sites addressed in the RFP (the Chatsworth WYE), with Site 1 to be discussed at a future Real Estate and Asset Development Committee (RE&ADC) meeting. The Proposal Evaluation Team (PET) evaluated all proposal submittals as to completeness and utilized preestablished evaluation criteria set forth in the RFP. The PET directed staff to pursue discussions with RVSP Corporation (who would be doing business as Chatsworth Storage, a California Limited Liability Company) for the proposed project for Site 2. The proposed use for Site 2 is self-contained storage, contractor storage yard, and recreational vehicle storage.

Following the PET recommendation, staff had two meetings with the principals of the RVSP Corporation. Their initial offer provided a relatively low financial return to the MTA and contained uncertain terms and conditions for a 17-year lease term which were not in the best interest of the MTA. Subsequent meetings with RVSP principals and MTA staff accomplished an increase in the initial base rent from \$1,912 per month to \$6,000 per month (approximately 300 percent), as well as a guarantee of the base rent, project schedule and milestones, security deposits for assurance of timely performance and completion, identification of conditions of development, refinement of major deal points, and other basic terms. (See attached proposed Term Sheet.) General agreement was reached between RVSP principals and MTA staff on the basic business points as summarized in the proposed Term Sheet. The Term Sheet has been prepared with the review of the MTA Real Estate Property Management and County Counsel staff.

Staff conducted a preliminary general market and financial feasibility study of storage facilities on the MTA site in order to evaluate the proposal. Staff analysis included a compilation of facilities in the surrounding area encompassing Chatsworth as well as Canoga Park, Northridge and Woodland Hills; rental survey of the Chatsworth facilities; interviews with developers and consultants to ascertain industry factors; ascertained storage container acquisition costs; derived project costs by line item; calculated stable year revenue based on rents and development concept proposed in the RFP as well as estimated feasible rents based on the survey and based on different scenarios with various gross project sizes; and computed residual land value for various scenarios. The analysis provided an indication of the achievable land rental payments to the MTA which was beneficial in negotiating the business terms with RVSP.

Based on the market and financial analyses of storage facilities, the recommendation is consistent with current market conditions and, considering constraints imposed on the lease terms, provides a reasonable

return to the MTA based on current market value. The property is currently an unproductive asset which is not generating any revenue for MTA which requires on-going maintenance.

The proposed project must comply with all regulatory requirements, including zoning. Given the site zoning of MR1-1, the proposed use would be subject to attaining a variance or conditional use permit which is the responsibility of the developer. The proposed project should not draw community opposition due to its location and proposed use. Both the Council and Supervisor offices have been informed of the intended use of the site and they do not foresee any problems.

In order for the efficient and affective conduct of real estate acquisitions and joint development negotiations, it is appropriate for the Board to delegate to the Real Estate and Asset Development Committee the responsibility to meet with and give instructions to the MTA negotiators regarding the terms of the transactions, which will be subject to final approval of the full Board.

#### Development Objectives

The following development objectives will be utilized throughout the negotiation period and are reflected in the outline of the proposed transaction, still to be refined:

- Maximize the financial return to MTA, consistent with other objectives.
- Minimize direct MTA cash outlay for project related expenses.
- Minimize the financial and legal risk to MTA.
- Create low-risk, interim income stream to MTA.
- Reduce maintenance expenses of non-used MTA property.

Prepared by:

**F. MICHAEL FRANCIS**  
Director, Joint Development

**CAROL FREDHOLM**  
Project Manager, Joint Development

**VELMA C. MARSHALL**  
Director, Real Estate

**ATTACHMENTS**  
Business Terms  
Property Descriptions and Maps

July 31, 1995

**ATTACHMENT 1**

**TERM SHEET**

Site 2: Chatsworth "WYE" Property

**PROPOSED GROUND LEASE**

**LESSOR:** Los Angeles County Metropolitan Transportation Authority  
("MTA")  
c/o F. Michael Francis, Director, Joint Development  
818 West Seventh Street  
Los Angeles, CA 90017  
(213) 244-6255

**LESSEE:** California Limited Liability Company ("Entity")  
c/o Len Mann and Kel Aiken  
9650 Calvin Street  
Northridge, CA 91324  
(818) 349-4878

**LEASED PREMISES:** Irregularly shaped parcel of approximately 4.03 acres (Assessor Parcel Map Number 2746-005-901) located north of Marilla Street, east of Owensmouth Avenue, and south of Lassen Street in the community of Chatsworth, City of Los Angeles. Property to be delivered to (Entity) by MTA clean and clear from debris. (Entity) shall incur any and all expenses including, but not limited to, costs of regulatory approval for the proposed uses on the leased premises, all on-site preparation and grading costs, all development and improvements costs, and all off-site costs including any imposed mitigations costs or fees required to operate proposed uses. Lessee shall be fully responsible for obtaining all required permits and approvals in conjunction with the development of the premises.

**USE:** The leased property will be used as a storage yard including: (1) recreational vehicle storage, both open air and covered spaces, which may include boats, trailers and self propelled vehicles; (2) individual covered, self contained storage spaces; (3) contractor's storage yard; and (4) incidental items that may support or supplement the proposed business subject to prior written approval by the MTA. Lessee shall be responsible for and shall at its own

cost and expense obtain any and all licenses and permits necessary for such uses.

**TERM/RENEWAL OPTIONS:**

Seven (7) year initial term, with two five (5) year extension options. The maximum lease term, including option periods if exercised, expires in the year 2012, with possible opportunities for subsequent extensions beyond 2012 at the sole discretion of MTA. The MTA preserves the right to early termination of the Lease if, in MTA's sole discretion, possession of the Premises is required for transportation-related purposes by delivering written notice to Lessee one hundred eighty (180) days prior to termination. Any unamortized capital improvements which are not removable from the site (i.e., mobile home, modular office building, and storage containers would be deemed removable) or salvageable would be reimbursed to the Lessee if the Lease is terminated during the initial term of the Lease (i.e., first seven years). Reimbursement would be based on an accelerated depreciation schedule utilizing a method to be determined, but mutually acceptable.

**BASE RENT:**

The initial monthly base rent to be Six Thousand dollars (\$6,000). Rent to be increased by the cumulative Los Angeles-Anaheim-Riverside, Urban Wage Earners and Clerical Workers Consumer Price Index (CPI) at the end of the third year, calculated from the commencement date, and sixth year, calculated from the previous adjustment period. In no event will the annual rental be lower than the previous annual rental. The monthly base rent for the first option period is to be adjusted to the greater of Seven Thousand Five Hundred dollars (\$7,500) or the cumulative CPI adjusted base rent at the end of the sixth year of the initial lease term. The minimum monthly base rent during the first option period will be adjusted at the beginning of the fourth year of the first option period by the cumulative amount of CPI from year one of the first option period. The minimum monthly base rent for years one through three of the second five year option will be the greater of Nine Thousand dollars (\$9,000) or as adjusted by the cumulative amount of the CPI at the end of the twelfth year

(cumulative initial and option one lease periods). At the beginning of the sixteenth year of the cumulative initial, first and second option periods, the minimum base rent will be adjusted by the cumulative CPI from the beginning of the first year of the second option period.

**INSURANCE AND  
INDEMNIFICATION:**

During the entire term of the Lease, including option periods, Lessee shall obtain and maintain insurance as required by the MTA in the amounts, conditions, and coverages specified and issued by insurance companies as described in Exhibit XXXX. Lessee agrees to indemnify, defend and hold harmless the MTA as provided in Exhibit XXXX.

**ASSIGNMENT AND  
SUBLETTING:**

Lessee shall not assign or sublet the leased premises without the prior written consent of the MTA, which will not be unreasonably withheld.

**CONDITIONS TO LEASE:**

The Lease is conditioned upon (Entity's) acceptance of development requirements by the City of Los Angeles. (Entity) must accept or reject City of Los Angeles requirements within 15 days from notice by the City of Los Angeles and shall notify the MTA following such notice within three days in writing of its acceptance or rejection of such requirements.

**TAXES/INSURANCE  
UTILITIES/MAINTENANCE:**

Lessee is responsible for all property taxes, including but not limited to Possessory Interest Taxes, assessments, insurances, utilities, maintenance, and management necessary to operate the proposed uses on the leased premises.

**DEPOSITS:**

(Entity), upon signing the Development Agreement with the MTA, will deposit \$18,000 into a security account to be determined by MTA. The \$18,000 would default to the MTA in the event (Entity) does not perform or construct the agreed upon improvements in a timely manner. Upon commencement of the lease, \$6,000 of this performance security would transfer to become the first month rent of the lease, with \$12,000 remaining the security deposit for

performance of the lease terms. If there is failure to pay the monthly rent within a one month grace period, the deposit will increase by an amount equivalent to two additional months of rent at each occurrence.

**GUARANTEES:**

Len Mann and Kel Aiken will personally guarantee, in a form of guarantee satisfactory to the MTA, the Lease, including its terms, payment and conditions.

**DEVELOPMENT  
AGREEMENT AND  
EFFECTIVE DATE  
OF LEASE:**

A Joint Development Agreement between MTA and (Entity) will be prepared which sets forth the rights and responsibilities of both parties, including all predevelopment (prelease) requirements, a schedule of performance, a non-refundable good faith deposit, and form of lease agreement, including the effective date of the lease.

**PERFORMANCE SCHEDULE:**

Project schedule and milestones:

- Sign Joint Development Agreement: September, 1995
- Good Faith Deposit Submitted: At the signing of the Joint Development Agreement.
- Submit Application to City (Plans and Conditional Use Permit): Thirty (30) days following the signing of the Joint Development Agreement and general agreement as to Lease form.
- Conditional Use Permit and Building Permit Secured: Within seventy-five (75) days of submitting the application to the City.
- Sign Lease Agreement: Within 15 days of receiving terms from the City of Los Angeles, (Entity) will accept or reject terms of City. Lease will be signed within 10 days of acceptance of terms of City or one hundred thirty (130) days after signing the Joint Development Agreement,



whichever is shorter. Security Deposit is submitted when the Lease Agreement is signed.

- Construction Commences: Fifteen (15) days following signing of Lease Agreement.
- Operations Commence: Sixty (60) days following commencement of construction, if no weather related delays.
- Base Rent Payments to MTA Commence: Sixty (60) days following commencement of construction, if no weather related delays, or at commencement of operations whichever is sooner.

**RIGHT OF ACCESS:**

MTA shall have reasonable access to the leased premises upon 24 hours notice to (Entity). If any aspect of rent payments to MTA is a function of the economic/financial performance of the project, then books and records would be subject to review.

**WAIVER OF RELOCATION RIGHTS:**

Lessee waives any right to relocation assistance, moving expenses, goodwill or other payments to which Lessee might otherwise be entitled.

**SURRENDER:**

Upon expiration or termination of the Lease, Lessee shall clear the property to bare ground at the option of the MTA at cost of Lessee.

**BROKERAGE COMMISSION:**

Each party shall be responsible for its own commissions (if any).

## ATTACHMENT 2

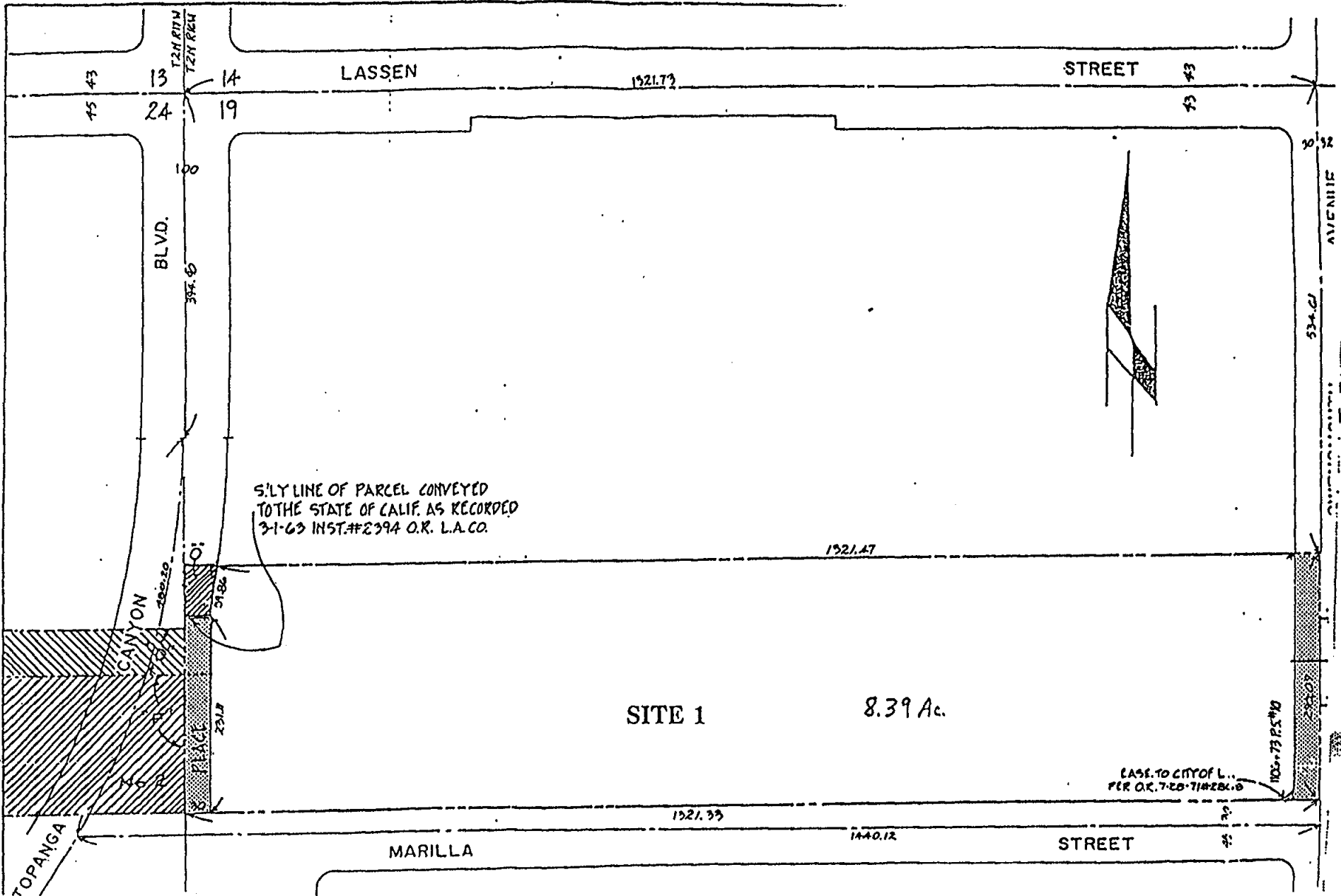
### PROPERTY DESCRIPTIONS

#### SITE 1 (MARILLA STREET PARCEL)

Assessor Parcel Number	2746-017-900
Property Location	East of Topanga Canyon Boulevard, north of Marilla Street, west of Owensmouth Avenue
City/Community	City of Los Angeles, Community of Chatsworth
Thomas Brother Page No.	Page 500A5
Area	8.39 acres
Proposed Use	Golf driving range, club house and associated amenities

#### SITE 2 (CHATSWORTH WYE)

Assessor Parcel Number	2746-005-901
Property Location	North of Marilla Street east of Owensmouth Avenue, south of Lassen Street
City/Community	City of Los Angeles, Community of Chatsworth
Thomas Brother Page No.	Page 500A5
Area	4.03 acres
Proposed Use	Self contained storage, contractor storage yard, and recreational vehicle storage

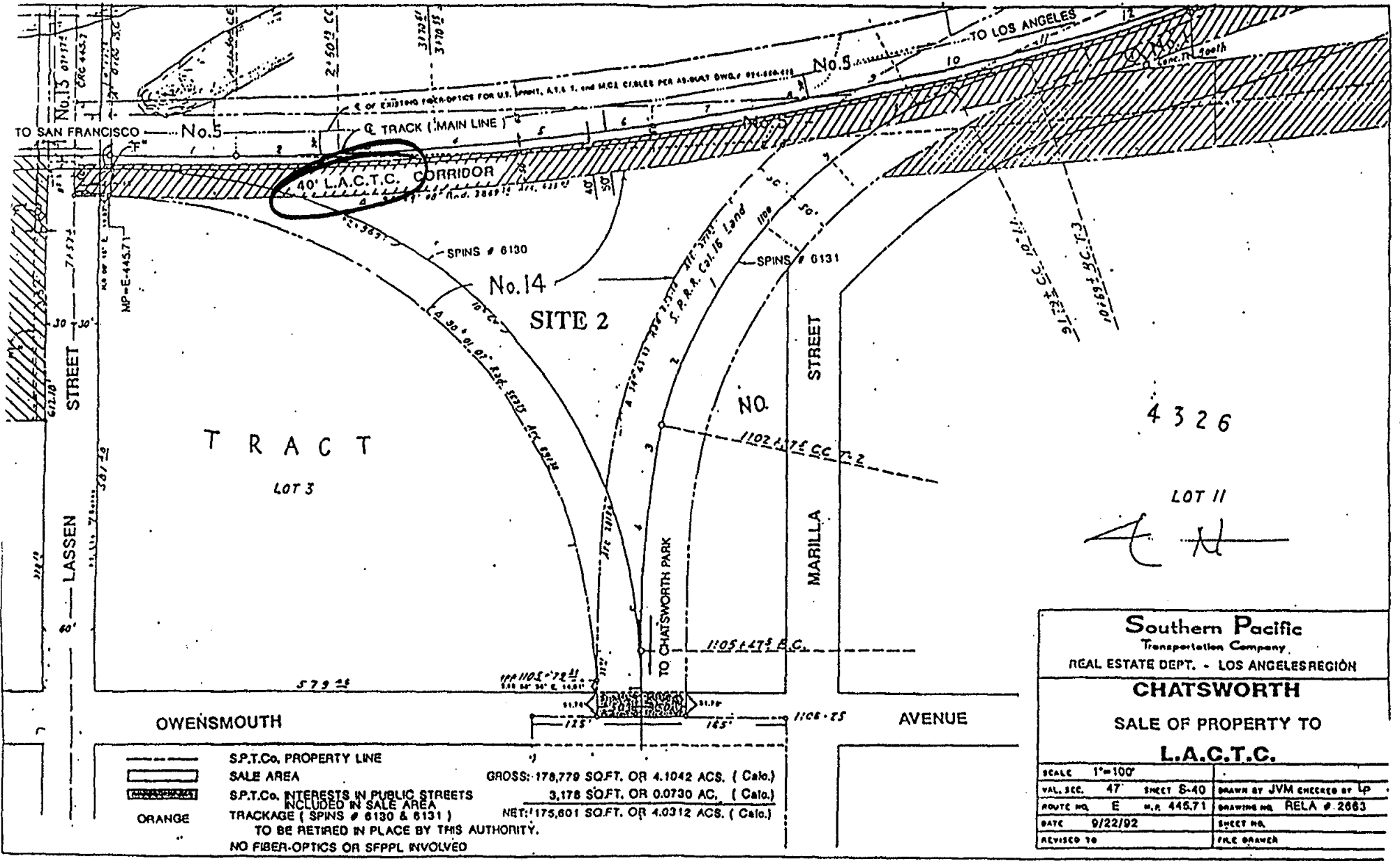


S'LY LINE OF PARCEL CONVEYED  
 TO THE STATE OF CALIF. AS RECORDED  
 3-1-63 INST.#2394 O.R. L.A. CO.

SITE 1 8.39 Ac.

EASE TO CITY OF L...  
 PER O.R. 7-20-71#286.6

SITE 1 - MARILLA STREET PARCEL



**SITE 2 - CHATSWORTH "WYE"**