

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.  
metro.net**FINANCE AND BUDGET COMMITTEE  
NOVEMBER 17, 2010****MEASURE R PROJECT DELIVERY COMMITTEE  
CONSTRUCTION COMMITTEE  
NOVEMBER 18, 2010****SUBJECT: LEASE FOR INTEGRATED PROJECT MANAGEMENT OFFICE****ACTION: APPROVE LEASE AGREEMENT FOR 3695-3699 CRENSHAW BLVD****RECOMMENDATION**

- A. Authorize the leasing of office space to provide an Integrated Project Management Office (IPMO) to support the Crenshaw LAX Transit Corridor Project.
- B. Authorize the Chief Executive Officer (CEO) to execute an eight year lease agreement, as described herein, including up to two (2) one year options, with the **Marvin Gart Trust** for the rental of office space and associated parking in an office building located at 3695-3699 Crenshaw Blvd, Los Angeles, CA commencing January 1, 2011 at an estimated initial annual rental cost of \$255,107.00 or \$21,258.92 per month plus the annual cost of utilities and operating expenses; and
- C. Amend the FY11 budget to add \$550,000 of Measure R Transit Capital Funds 35% to Project 865512 Crenshaw/LAX Transit Corridor to cover the base rent for the balance of FY11 and estimated cost of tenant improvements.

**RATIONALE**

The Crenshaw/LAX is in the final environmental phase and a consultant team has been selected to perform the Preliminary Engineering and preparation of Design-Build bid documents. With Preliminary Engineering and Construction being the next phases of the project, there is significant benefit to having an IPMO located on the corridor to address the many challenges and issues that will arise on a daily basis during these phases. This Project will be managed by the MTA utilizing the IPMO approach, which will require leased office space so that consultants, MTA staff and Third Party Agency/Utility staff can be co-located in the same building for efficient execution of the Project.

In preparation for the commencement of consultant work involving Advanced Conceptual Engineering and Preliminary Engineering for Crenshaw LAX Transit

Corridor Projects, staff has identified office space within the Los Angeles Crenshaw Community that is suitable to house the Project (See Exhibit "A"). The space is a high visibility, single story building at the corner of Crenshaw Boulevard and Rodeo Place, one block from the proposed Crenshaw/Exposition station. The building will accommodate large open areas for cubicles, existing enclosed offices, conference rooms, storage space, existing data, voice cabling, abundant electrical infrastructure and other amenities that are appropriate for the work that will be performed by the IPMO Team. The consultant teams are separate entities for the Project. However, because there are overlaps of MTA project management and technical staff that are common to the Project, it is recommended that the Project team be housed in one building during the Preliminary Engineering Phase and ongoing construction phase.

The lease agreement is based on an initial 8-year lease, with two (2), one (1) year options. This will provide MTA with the flexibility to retain the lease for the subsequent phases of the Project including final design and construction.

### **ALTERNATIVES CONSIDERED**

The consultant cost proposals and negotiated amounts for the Crenshaw LAX Transit Corridor Project include the costs for the consultants to provide office space for the IPMO. However, the Recommended Action is preferred because the office space will be leased directly by MTA, giving us the flexibility to control the lease beyond the Preliminary Engineering Phase of the Project and to make the space available for contractors and staff during the Construction Phase. Consideration was not given to housing the IPMO at the Gateway Building as it is important to establish a presence in the Crenshaw community.

### **FINANCIAL IMPACTS**

The base lease cost for the balance of FY11 is estimated to be approximately \$102,000 00. The base rent is \$1.95/sq. ft/month. The base rent will increase by 3% annually during the lease term and the total cost of the lease (including utilities and operating expenses) over the ten-year term (if options are exercised) will be approximately \$3,925,793 including Tenant Improvements. Utilities will be separately metered and maintenance of the building interior will be the responsibility of MTA as tenant. The building's electrical and plumbing were recently upgraded to code standards. The premises will be in its "As-Is" condition and will require tenant improvements consisting of painting, carpet cleaning, reconfiguration of office areas, removal/replacement of walls and purchase of furniture system workstations all at the expense of MTA as tenant. The tenant improvements are expected to cost approximately \$448,000. Certain improvements currently existing in the building such as demountable partitions and some office furniture will remain for use by the Project. The tenant improvements will be performed by the Landlord for Tenant and the cost of the improvements will be amortized over the first six months of the lease.

This action will amend the FY11 budget to add \$550,000 of expense and revenues to Measure R Project 865512 (Crenshaw/LAX Transit Corridor Project), in Cost Center 8510 (Construction Project Management), and Account No. 51201 (Lease and Rental Property and Facilities). This action is within the approved preliminary life-of-project budget of \$21.0 million. In FY11, no funds have been expended on this activity. Since this a multi-year construction contract, the Deputy Chief Capital Management Officer will be responsible for budgeting lease payments in future years.

#### Impact to Bus and Rail Operating and Capital Budget

The funding for this project will be amended into the FY11 Budget from Measure R Transit Capital Funds 35%. These are the funds that have been identified for this project, therefore, no other sources were considered. These activities will not impact ongoing operating costs.

#### Rental Value

The lease rental rate is very competitive as it relates to other space in the subject building and to other available office space in the general Crenshaw Community. The proposed initial gross rental rate of \$1.95 per square foot is slightly below market for retail/commercial space in the Crenshaw District. Current rents in the area range from \$2.00 to \$3.50 per square foot per month NNN. Other available space was not large enough to accommodate the IPMO or the space was in an unfinished condition which would have required significant tenant improvements.

There are very few office buildings in the vicinity of the Crenshaw/LAX project alignment. The alternatives consist of commercial retail space which is also limited. The subject building just became available and the space is ideally located and suited for the IPMO. Other available space and rental rates are summarized in Exhibit "A". The 3695-3699 Crenshaw Building offers a very competitive and cost effective proposal when taking into account rental rate and the existing conditions of available space. The location is improved with a combination of perimeter offices, open areas, kitchen and conference rooms that with additional tenant improvements will ideally suit the needs of the IPMO and includes above adequate electrical, data, voice and technology infrastructure.


#### **NEXT STEPS**

Staff will complete negotiations of a lease agreement through the Owner's broker subject to review and approval by County Counsel.

**ATTACHMENTS**

- A. Site plan of Proposed Office Building
- B. Available Properties in the Crenshaw/Exposition Area

Prepared By: Velma Marshall, Deputy Executive Officer, Real Estate  
Robert Ball, Deputy Executive Officer, Project Management



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Roger S. Moliere  
Chief, Real Property Management & Development



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K. N. Murthy  
Deputy Chief Capital Management Officer

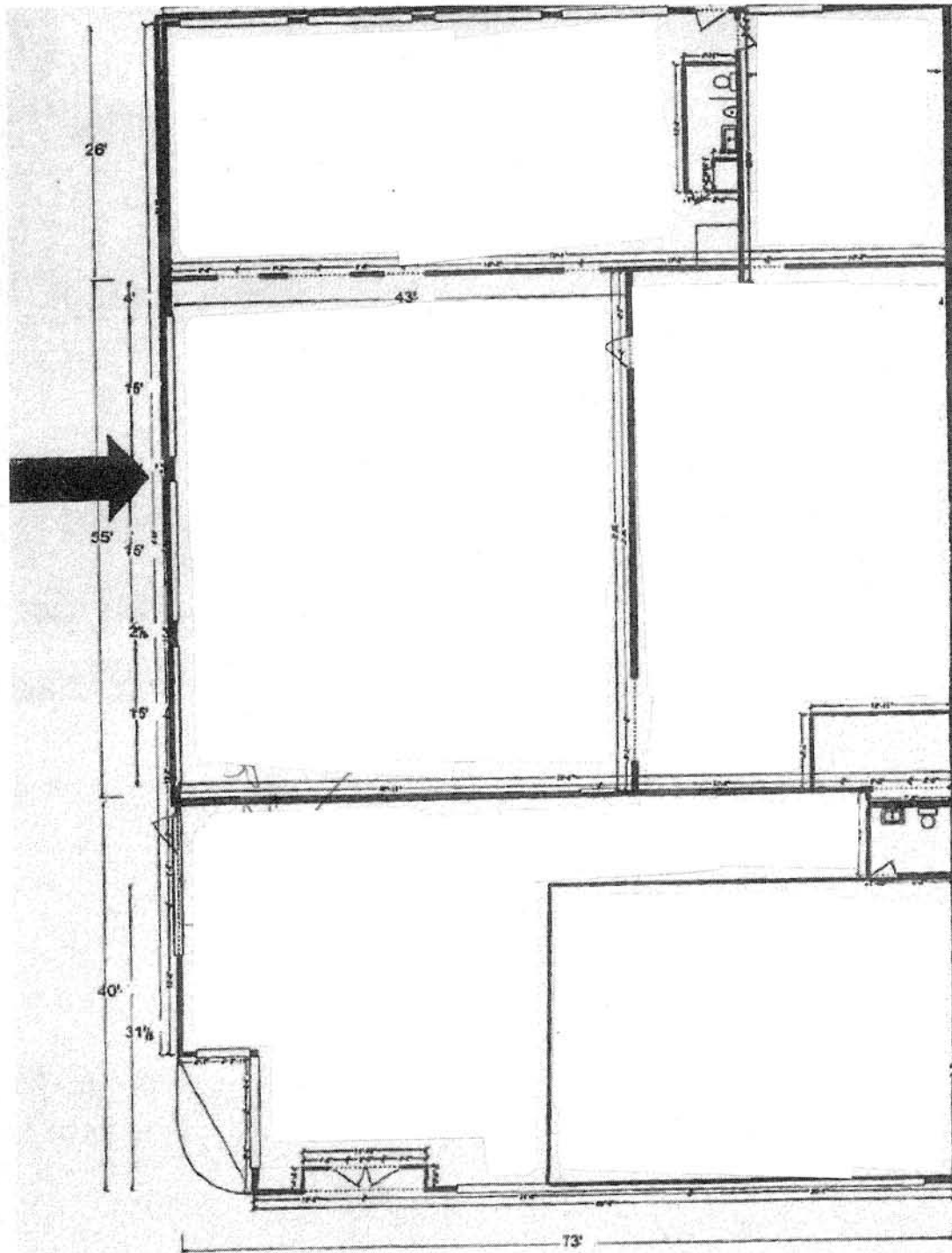


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for Arthur T. Leahy  
Chief Executive Officer

# ATTACHMENT "A"

3695-3699 Crenshaw Blvd,  
Los Angeles, CA



## Attachment "B"

### Available Properties in the Crenshaw/Exposition Area

Building Name/Address	Space Available	Asking Rate per/sq.ft.	Comments
3651 Crenshaw Blvd	2,010 sf	\$19.20/year NNN \$1.60/month	Space is located at the corner of Crenshaw and Rodeo. The available space is unimproved with no infrastructure built out.
3535 S. La Brea Ave	18,243 sf	\$27.00/year NNN \$2.25/month	Space is located approximately 1 mile west of the Crenshaw Corridor
3679 Crenshaw Blvd	Various small offices	\$24.00/year NNN \$2.00/month	Space is 1 building over from the desired location and will be considered for expansion space when needed.
3026 Crenshaw	Proposed new Retail pads	\$42.00/year NNN \$3.50/month	Proposed new office/retail development at the corner of Crenshaw and Jefferson. Included to illustrate the rental market rates.
3601 S. La Brea Ave	2,500 sf	\$33.00/year NNN \$2.75/month	Unimproved shell space. Included to illustrate the market rates in the area