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**Title:** CONSIDER APPROVAL OF AMENDMENT NO. 1 TO THE LEASE AGREEMENT BY AND BETWEEN THE CITY OF CARSON AND THE SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY FOR THE USE OF 10.5 ACRE PROPERTY LOCATED AT ASSESSOR PARCEL NUMBER (APN) 7330-007-906 NEAR 321 W. SEPULVEDA BLVD (CITY COUNCIL)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Exhibit No. 1 Lease with City of Carson for 10.5-acre parcel next to Carriage Crest Park, 2. Exhibit No. 2 - Vicinity Map, 3. Exhibit No. 3 City of Carson Request to Extend Due Diligence Period - 10.19.22, 4. Exhibit No. 4 DMS-#6725226-v1-First\_Amendment\_to\_Lease\_Agreement\_City Draft 10.20.22 CLEAN

Date	Ver.	Action By	Action	Result
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**Report to Mayor and City Council**

Tuesday, November 01, 2022

Consent

**SUBJECT:**

**CONSIDER APPROVAL OF AMENDMENT NO. 1 TO THE LEASE AGREEMENT BY AND BETWEEN THE CITY OF CARSON AND THE SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY FOR THE USE OF 10.5 ACRE PROPERTY LOCATED AT ASSESSOR PARCEL NUMBER (APN) 7330-007-906 NEAR 321 W. SEPULVEDA BLVD (CITY COUNCIL)**

**I. SUMMARY**

The City of Carson and the County Sanitation District No. 8 of Los Angeles County ("Sanitation District") entered into a Lease Agreement (Exhibit No. 1) on October 14, 2020, for the portion of the immediately adjacent to Carriage Crest Park near 321 W. Sepulveda Boulevard (APN 7330-007-906) ("Property") (Exhibit No. 2).

The due diligence period in the approved Lease Agreement will expire on December 15, 2022. The proposed Amendment to the existing Lease Agreement will extend the due diligence period by approximately twenty-four (24) months to allow the City to perform its

due diligence to determine if the Property is suitable development of a public park.

On October 19, 2022, staff sent a letter to the Sanitation District requesting this extension (Exhibit No. 3). The letter described the City's good faith efforts over the past twenty-four (24) months in performing its due diligence. Among these efforts include the securing of a \$6 million dollar grant funding from the State of California grant to fund the park development project.

Sanitation District staff will present the City's request to their Board on November 9<sup>th</sup>. As such, an Amendment to the existing Lease Agreement ("Amendment No. 1") (Exhibit No. 4) has been prepared for City Council and Sanitation District Board approval. This Amendment No. 1 extends the Due Diligence Period until December 15, 2024. Tonight's recommended action is to approve the Amendment No. 1.

## II. RECOMMENDATION

TAKE the following actions:

1. **APPROVE** the Amendment No. 1 to the Lease Agreement.
2. **AUTHORIZE** the Mayor to execute the Amendment No. 1 following as to form by the City Attorney.

## III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

## IV. BACKGROUND

Since 2020, the City has leased the 10.5-acre Property from Sanitation District with the intention to develop the site for recreational and sporting uses, as well as ancillary facilities such as parking areas and/or stormwater management. Acceptable uses under the Lease could include soccer fields, a dog park, football fields, baseball diamonds, a playground, walking paths and/or other similar uses. The Property is adjacent to Carriage Crest Park on the north side of Sepulveda Boulevard and east of Figueroa Street. Most recently, the Sanitation District leased this Property to Color Spot Nurseries for wholesale nursery operations. The Color Spot vacated the site in December 2018.

The Amendment is straight forward in that it extends the Due Diligence Period for an additional two (2) years until December 15, 2024. The extension may have a few related implications to the existing Lease Agreement terms:

- **Term** - The Lease Agreement Term is for thirty (30) years ending on December 15, 2050. The City has two (2) 10-year options for the City to extend the Lease. The 30-

year term includes the Due Diligence Period. Even though the Due Diligence period is proposed to be extended, the Term of the Lease Agreement will remain the same.

- **Due Diligence Period** - The original Lease Agreement provided an eighteen-month (18) Due Diligence Period to allow the City to investigate the conditions of the Property. Earlier this year, the City requested additional 6-months extension to the Due Diligence Period as permitted under the original Lease Agreement. No rent payments are required during the Due Diligence period. If the conditions of the site are not suitable for City's use, then the City may elect to terminate the Lease during the Due Diligence Period without penalty and without any further obligations during the Due Diligence Period.
- **1999 Lease** - After the Due Diligence period, the existing area (0.23-acre) under the 1999 Lease between Carriage Crest Park and the Property, would be incorporated into the Leased Premises under the new Lease and the 1999 Lease would be terminated. Should the City not go through with the Lease (e.g., terminate prior to end of Due Diligence), the 1999 Lease would remain in effect until its expiration in 2029. The City currently pays \$1 per year for the 1999 Lease. Under the Lease, the new rate is \$1,380 per year for the same site.
- **Permitted Use** - The permitted use of the Leased Premises would be limited to City purposes including recreation, sporting uses, and ancillary facilities (e.g., parking, storm water management) and no other purposes.
- **Rent** - The monthly base rent would be \$500 per acre per month (\$5,250 per month or \$63,000 per year), starting on the first day of the month that the City starts construction of improvements on the Leased Premises or at the expiration of Due Diligence Period, whichever occurs first. Therefore, the extension of the Due Diligence Period will delay the payment of rent.

## **V. FISCAL IMPACT**

The extension of the Due Diligence period would allow the City to delay the rent that would otherwise commence upon expiration of the current Due Diligence Period is December 16, 2022. Under the Lease Agreement, the City must pay \$500 per acre per month totaling \$63,000/year ("Base Rent") for the 10.5-acre Property. The extension of the Due Diligence Period could push the Rental Commencement Date as far out as December 16, 2024, thereby potentially saving the City \$126,000 in rent over the next two years. The extension of the Due Diligence period for the additional 2 years allows the City additional time to determine if it wants to proceed with the park or otherwise terminate the 30-year Term Lease Agreement.

## **VI. EXHIBITS**

1. Lease Agreement (pgs. 4-38)

2. Vicinity Map for APN 7330-007-906 (pg. 39)
3. City's Letter Requesting Extension of Due Diligence Period (pgs. 40-42)
4. Proposed Amendment No. 1 to Lease Agreement (pgs. 43-48)

Prepared by: James Nguyen, Project Manager / Saied Naaseh, Director of Community Development