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Title: CONSIDER APPROVAL OF 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)

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Attachments: 1. Exhibit No. 1 - Approved Deal Points, May 19, 2020, 2. Exhibit No. 2 - Draft Lease Agreement, 3. Exhibit No. 3 - Vicinity Map

Date	Ver.	Action By	Action	Result
10/6/2020	1	City Council		

Report to Mayor and City Council

Tuesday, October 06, 2020

Discussion

SUBJECT:

CONSIDER APPROVAL OF 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 has been negotiating leasing a 10.5-acre property (“Property”) from the County Sanitation District No. 8 of Los Angeles County (“Sanitation District”) for recreational and sporting uses, as well as ancillary facilities such as parking areas and stormwater management. The uses under consideration could include soccer fields, a dog park, football fields, baseball diamonds, a playground, walking paths and/or other similar uses. All future uses of the site will be evaluated further and presented to the City Council at a later time.

On May 19, 2020, the City Council approved the non-binding Lease Deal Terms (Exhibit No. 1) which established the framework for staff to initiate the drafting and negotiation of the lease for formal approval. Tonight’s recommended action is to approve the binding Lease Agreement (“Lease”) between the City and the Sanitation District (Exhibit No. 2).

The Sanitation District is considering approval of the Lease on October 14th at its regularly scheduled Board Meeting.

The Lease is more detailed but generally contains consistent language with the approved Lease Deal Terms with the following notable exceptions: 1) Lease Term has been extended from 20 years to 30 years; 2) The District may exercise its right to terminate the Lease at Year 27 instead of Year 17; and 3) An 18 months (plus a 6 months extension) Due Diligence provision has been added to allow for inspection of the Property to determine site usability prior to full acceptance of the property. At the time of this writing, City staff is working with District staff to resolve two final Lease Deal Terms: 1) Installation of a fence, currently requiring the City to construct a fence at the City's cost within 120 days of the finalizing the lease; and 2) Clarifying Permitted Uses provision to include "pay-to-play" sports.

II. RECOMMENDATION

TAKE the following actions:

- 1. APPROVE** the Lease Agreement.
- 2. AUTHORIZE** the Mayor to execute the Lease Agreement following as to form by the City Attorney.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Property is adjacent to Carriage Crest Park on the north side of Sepulveda Boulevard and east of Figueroa Street (Exhibit No. 3). Most recently, the Sanitation District leased this Property to Color Spot Nurseries for wholesale nursery operations until Color Spot vacated the site in December 2018. The City has been leasing a 0.23-acre area adjacent to Carriage Crest Park from the Sanitation District since 1999 ("1999 Lease"). The Property currently serves as a buffer between the District's Joint Water Pollution Control Plant and nearby residential areas and could be the site of future wastewater treatment and ancillary facilities and currently is actually part of the park. The 1999 Lease expires in 2029.

Lease Agreement Terms

The following provides a summary of major deal points in the lease that differ from the

Council Approved Lease Deal Terms from May 19, 2020:

- **Lease Term** - The Lease Term is now proposed for thirty (30) years plus two (2) 10-year options for the City to extend the Lease. Earlier this year, the Council Approved Lease Deal Terms provided for a twenty (20) year term plus three (3) 10-year options to extend. This revision would allow the City to pursue possible operators for soccer- or other sporting facilities who would make significant investments. The 30-year term includes the due diligence period of up to two years. This revision could allow the City to pursue park development grants that require 30-year leaseholds.
- **Termination** - The District now can notify the City of its Lease termination rights at Year 27 instead of Year 17 thereby providing the required 36 month written termination notice to the City. The termination may occur if the District determines that it needs the property for construction of wastewater treatment or ancillary facilities, and the City would not be able to exercise its option to extend the Term.

Consistent with the Lease Deal Terms, the City would still have to remove all improvements (that needs to be removed) from the Leased Premises at its sole cost. If the City does not remove all improvements and vacate the Leased Premises within thirty-six (36) months of receiving notice by the District, the City is required to pay the District \$2,000 per calendar day for every day that it continues to occupy the Leased Premises.

- **Due Diligence Period** - Previously the Lease Deal Terms did not include an option for the City to inspect the property. An eighteen-month Due Diligence Period has been added to the Lease Agreement to allow the City to investigate the conditions of the Property. The City may request an additional 6 months extension to the Due Diligence Period. No rent payments are required to be made 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 without penalty and further obligations during the Due Diligence Period.

In addition, the following provides a summary of major deal points in the lease that are consistent with the Council Approved Lease Deal Terms from May 19, 2020:

- **Leased Premises** - The Leased Premises would consist of approximately 10.5 acres, including the 0.23-acre area currently leased to the City.
- **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, 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. As discussed, the Due Diligence Period is eighteen (18) months and starts when the fully executed original copy is recorded with the Los Angeles County Recorder's Office. The City has an option to extend the Due Diligence Period for an additional six (6) months.

The following provides a summary of major deal points that are being finalized by staff at the time of this writing:

- **Fence** - The original Lease Deal Points, approved by the City Council on May 19, 2020, required the City to construct a fence to separate the Property from the adjacent District property to the east. The District is now requesting the City to install, at our cost, this 8-foot high chain-link fence upfront within the first 120 days of the Lease commencement. The cost to construct this fence is unknown at this time. Given the timing above requirement, the cost for this fence cannot be passed through to the sub lessee.
- **Assignment and Sublease** - The original Lease Deal Points, approved by the City Council on May 19, 2020, provided that upon prior written consent of the District, the City may assign the Lease, to a sublease or engage a private contractor as the operator as long as use is consistent with the Surplus Land Act, the Permitted Use, provides for a community benefit, and includes reasonable access to the public including access to residents from outside of the City. Staff is in the process of clarifying provision with the District to ensure that a "pay-to-play" soccer operation would meet this definition.

Proposed Next Steps

On May 19, 2020, the City Council directed staff to initiate an RFP process to solicit bids from third party operators for a soccer facility. The City has been receiving several inquiries for the development of soccer fields from third party operators during the past several years. Staff has recently met with these operators regarding potential use of the Property. Staff will be requesting the prospective operators to provide the City with a Letter of Interest (LOI) describing their proposal and operations. Staff intends to present these LOIs to the City Council to obtain input and direction on the amenities the Council would like to see for the Leased Premises. Staff will then draft an RFP to solicit formal proposals from the operators which will be presented for City Council's consideration.

Alternatively, the City is considering an application to California's Proposition 68 program (Parks and Water Bond Act of 2018), which established a Statewide Program to issue bonds for, among other types of projects, new and improved parks statewide for the adjacent Carriage Crest Park. Though a portion of this money was distributed on a per capita basis to jurisdictions in California, the majority is being distributed through a competitive grant process.

The State intends to award \$395.3 Million dollars in funding in the current round, Phase 4. This process requires significant effort and strict adherence to State criteria to present a viable project and part of the criteria is that the proposed projects themselves go through an exhaustive public participation process to be considered “bottom up” projects, i.e. designed based on the desires of the park’s stakeholders, not just the City. This requirement makes Prop 68 applications significantly different than others that the City has applied for in the past.

Staff believes that Carriage Crest is a good candidate for Prop 68 funds, and that the application may be greatly improved by the addition of this site because it would be considered a “new” park and score better in the process. However, the community design process required under the Pro 68 grant is much different than the design/development RFP for soccer operators.

V. FISCAL IMPACT

Under the terms of the proposed deal points, the City would have to pay \$500 per acre per month totaling \$63,000/year (“Base Rent”) for the 10.5 acre Property. As currently proposed, rent would start the first day of the month the City (or its tenant/operator) starts construction or after the 18 to 24 months Due Diligence Period, whichever occurs first. The Base Rent increases on each anniversary by an amount equal to the change in Consumer Price Index (CPI) for All Urban Customers, Los Angeles-Long Beach-Anaheim area published by the United States Department of Labor, Bureau of Labor Statistic. The Base Rent increase would not be less than the Base Rent payable in the preceding lease year or greater than five percent (5%) each year. The RFP process and the subsequent development agreement between the City and the operator will determine the fiscal impacts of the project.

VI. EXHIBITS

1. Council Approved Lease Deal Terms, May 19, 2020 (pgs. 6-7)
2. Lease Agreement, (pgs. 8-39)
3. Vicinity Map for APN 7330-007-906 (pg. 40)

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