



# CITY OF CARSON

## Legislation Text

File #: 2019-860, Version: 1

### Report to Mayor and City Council

Tuesday, May 19, 2020

Discussion

#### **SUBJECT:**

**CONSIDER UPDATED DEAL POINTS BY AND BETWEEN THE CITY OF CARSON AND THE SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY FOR THE USE OF 10.47 ACRE PROPERTY LOCATED AT 321 W. SEPULVEDA BLVD (APN: 7330-007-906) (CITY COUNCIL)**

#### **I. SUMMARY**

The City is considering the lease of a 10.47-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. One of the uses currently contemplated is the development of soccer fields with small spectator areas. Last year, the City received several inquiries for such use from third party operators. Other possible uses of the Property could be for the development of a City dog park. All future uses of the site will be evaluated further and presented to the City Council at a later time.

The monthly rent for the Property would be \$500.00 per acre. The first lease payment will not be due until 18 months after the commencement of the lease. If the City Council provides direction to initiate the lease discussions with the Sanitation District, staff will also initiate the RFP process to secure a vendor to build and operate the soccer fields, if that is the direction City Council chooses. The private operator would be required to pay for all due diligence costs, rent, construction, maintenance, and operation of the soccer fields at no cost to the City.

This action is to consider and approve the proposed non-binding updated deal terms ("Proposed Deal Terms") (Exhibit No. 1) as transmitted to the City from the Sanitation District on April 16, 2020. The most significant change to the deal points from previous proposals is how long before the Sanitation District can ask the City to return the Property to them. The Sanitation District has stated they may need to have the Property returned to them to construct additional facilities to comply with unforeseen regulations. This length of time has been increased from 5 to 17 years. In addition, the due diligence period is now approximately 18 months, during which no rent is paid, whereas previously there was no specific time period identified. Staff believes these changes provide a good foundation for

lease negotiations between the two parties and continue City's partnership with the Sanitation District to build a better community.

## II. **RECOMMENDATION**

TAKE the following actions:

1. **APPROVE** the Proposed Deal Terms.
2. **AUTHORIZE and DIRECT** staff to provide written notice to the Sanitation District to initiate the drafting and negotiation of the lease for formal approval at a future City Council and Sanitation District Board meeting.
3. **AUTHORIZE and DIRECT** staff to initiate an RFP process to solicit bids from third party vendors to build and operate a soccer facility on the site.

## III. **ALTERNATIVES**

TAKE another action the City Council deems appropriate.

## IV. **BACKGROUND**

The Property (Exhibit No. 2) is adjacent to Carriage Crest Park in the southwestern part of the city on W. Sepulveda Blvd and near S. Figueroa Street ("Property"). Most recently, the Sanitation District leased this Property to Color Spot Nurseries for wholesale nursery operations until Color Spot vacated in December 2018. The City has had a 0.23-acre area adjacent to the site ("City Site") under lease with 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. The 1999 Lease expires in 2029.

### **Proposed Deal Terms for Lease**

The following provides a list of major deal points. A complete list is provided as Exhibit No. 1:

- **Lease Approval Process** - The Sanitation District will draft the Lease and provide it to the City for review within 6 months.
- **1999 Lease** - The existing area (0.23-acre) under the 1999 Lease would be incorporated into the Leased Premises under the new Lease and the 1999 Lease would be terminated.
- **Leased Premises** - The Leased Premises would consist of 10.47 acres, including the 0.23-acre area currently leased to the City

- **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.
- **Assignment and Sublease** - Upon prior written consent of the District, the City may assign the Lease, sublease the Leased Premises, or hire a private contract 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.
- **Lease Term** - The Lease term would be 20 years plus three 10-year options for the City to extend the Lease.
- **Termination** - At any time after 17 years from the commencement date of the Lease, the District would have the right to terminate the Lease for construction of wastewater treatment or ancillary facilities by providing 36 months' prior written notice to the City. The City would 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 36 months of receiving notice by the District, the City shall pay the District \$2,000 per calendar day for every day that it continues to occupy the Leased Premises.
- **Rent** - The monthly base rent would be \$500 per acre per month, starting on the first day of the month that the City starts construction of improvements on the Leased Premises or no later than 18 months after the commencement of the Lease, whichever occurs first.

#### Proposed Next Steps

Subsequent to receiving the Proposed Deal Points on April 16<sup>th</sup>, City staff has engaged in conversations with Sanitation District staff regarding the inclusion of a due diligence period to investigate the conditions of the Property for City uses. Sanitation District staff is open to this proposal. If staff's recommendation is approved tonight, staff would negotiate the inclusion of a due diligence period clause among other provisions to benefit the City's goal to use the site as a future soccer facility and dog park. These terms would be included in the lease agreement that will be presented for City and Sanitation District approval at a later time.

#### **V. FISCAL IMPACT**

There will be costs associated with staff time and legal fees for the review and drafting of the lease (Community Development), drafting the RFP, the selection process, and negotiations with the third party vendors (Community Services).

Under the terms of the proposed deal points, the City would have to pay \$500 per acre per month totaling \$62,862/year for the 10.471-acre site. As currently proposed, rent would

start the first day of the month the City (or its tenant/operator) starts construction or 18 months after the commencement of the Lease, whichever occurs first.

A sublease to an undetermined third-party operator should completely offset the lease rent and the cost for due diligence, constructions, maintenance, and operation of the facility. The City or its subtenant or operator would bear the cost of constructing a perimeter fence, improvements, utilities, improvements, security, permits, taxes, insurance, indemnification, and environmental Issues resulting from the City's or City's subtenant's or operator's activities.

However, there is no direct fiscal impact associated with the approval of the proposed deal terms, which establish the framework of the negotiation of the lease.

## **VI. EXHIBITS**

1. Proposed Deal Terms (pgs. 5-6)
2. Vicinity Map for APN 7330-007-906 (pg. 7)

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