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Eric Garcetti

Mayor, City of Los Angeles

Gary Lee Moore, P.E.

Interim Executive Director

February 12, 2014

Honorable Members of the
City Council of the
City of Los Angeles

CD No. 15

Attention: Mr. Michael Espinosa, City Clerk's Office

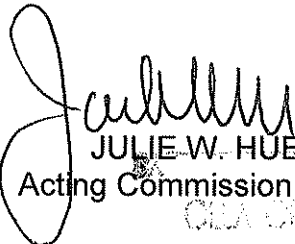
SUBJECT: RESOLUTION NO. 13-7588 – PROPOSED 12-MONTH LEASE EXTENSION
FOR THE UNITED STATES CUSTOMS AND BORDER PROTECTION
LABORATORY ON TERMINAL ISLAND

Pursuant to Section 606 of the City Charter, enclosed for your approval is proposed Supplemental Lease Agreement No. 2 to Agreement No. 2384, requesting a 12-month lease extension. The proposed Supplemental Lease Agreement was approved by the Board of Harbor Commissioners at its meeting of November 21, 2013.

RECOMMENDATION:

1. The City Council approve Supplemental Lease Agreement No. 2 to Agreement No. 2384 with the U.S. General Services Administration;
2. Find that the recommendation action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article Class 1 (14) of the Los Angeles City CEQA Guidelines; and
3. Return to the Board of Harbor Commissioners for further processing.

Respectfully submitted,


JULIE W. HUERTA
Acting Commission Secretary

cc: Trade, Commerce, & Tourism Committee
Councilman Bonin, encls.
Councilman LaBonge, encls.
Councilman Buscaino, encls.
Mandy Morales, Mayor's Office, encls.
Erick Martell, POLA Legislative Analyst, encls.

IMPLED 18 VN 8:27

CLA OFB

Alvin Newman, CAO, encls.
Lisa Schechter, CD4, encls.
Aaron Gross, Government Affairs, encls.
Christine Yee Hollis, CLA, encls.

TRADE, COMMERCE & TOURISM

November 21, 2013


ACTING SECRETARY



Executive Director's

Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 12, 2013

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. 137588 - PROPOSED 12-MONTH LEASE
EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER
PROTECTION LABORATORY ON TERMINAL ISLAND

SUMMARY:

The proposed action will grant a 12-month lease extension under Supplemental Lease Agreement No. 2 (SLA-2) to Agreement No. 2384 with the U.S. General Services Administration (GSA) for the continued operation of the U.S. Customs and Border Protection (CBP) laboratory at the former U.S. Customs House on Terminal Island.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the 12-month lease extension under Supplemental Lease Agreement No. 2, substantially in the form attached hereto as Transmittal 2, beginning March 23, 2013 and ending March 22, 2014;
2. Direct the Board Secretary to transmit Supplemental Lease Agreement No. 2 to City Council pursuant to Section 606 of the City Charter;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Supplemental Lease Agreement No. 2; and
4. Adopt Resolution No. 137588

DISCUSSION:

Background/Context – In 2005, the City of Los Angeles Harbor Department (Harbor Department) entered into a Memorandum of Understanding (MOU) with GSA under which GSA quitclaimed the property located at 300 South Ferry Street on Terminal Island to the Harbor Department. As part of this MOU, the Harbor Department agreed to lease back a portion of the facility to GSA for five years, from March 23, 2005 to March 22, 2010, under Lease No. GS-09B-01498 (GSA Lease) for the operation of the CBP laboratory. A lease extension was approved under Board Resolution No. 11-7157 for an additional three years and was granted to GSA under Supplemental Lease Agreement No. 1 (SLA-1), which expired on March 22, 2013. Since that time, SLA-1 has been on holdover. GSA is requesting a lease extension through March 22, 2014, because their new facility is still in the process of being prepared for occupancy.

Harbor Department staff has recently visited the new site of the CBP lab to check on construction. Construction is moving along, and according to the latest construction

SUBJECT: PROPOSED LEASE EXTENSION FOR THE CBP LABORATORY

schedule from GSA, the building is expected to be completed in mid-January 2014. GSA expects to be moved into the new facility by the end of February 2014. Harbor Department staff is recommending extending the lease until March 2014 to account for any unforeseen delays. GSA can exercise the 30-day termination clause if everything continues to move along according to schedule.

Below is a summary of the proposed significant terms:

Term: 12 months (March 23, 2013 to March 22, 2014)

Premises and Permitted Use: The facility is a 222,539 square foot (s.f.) building, of which GSA occupies 30,686 s.f. of office and laboratory space, and a 108,276 s.f. parking lot and security area, as shown on Transmittal 1. In addition to the premises being used as a laboratory by CBP, Port Police uses certain portions of the facility for training, storage (C&M and Engineering also use the warehouse area for storage), and parking associated with such activities.

Current Rent: The total current monthly rent payable under SLA-1 is \$77,668. This amount is comprised of \$42,865 per month in property rent and \$34,803 per month for utilities and maintenance paid for or provided by the Harbor Department. The property rent is a combination of rent for (a) an office, laboratory, and loading dock and (b) a parking lot. The building rent portion of the property rent (office, laboratory, and loading dock) is \$23,015 per month, based on an annual rental rate of \$9 per s.f. The monthly rent for the parking lot is \$19,851 based on a 10 percent rate of return on a \$22 per s.f. land value. Combining these two amounts results in a monthly property rent of \$42,865.

The estimated cost for the utilities and maintenance for the entire former Customs House facility amounts to \$38,670 per month. Although the facility is used by both CBP and Port Police, it is estimated that 90 percent of the utilities and maintenance costs are attributable to CBP's operations. Therefore, CBP pays 90 percent of the estimated \$38,670, which results in the amount of \$34,803.

Since rent under SLA-1 was a substantial increase over the rent paid under the original GSA lease, the Harbor Department discounted the first two years of SLA-1 by a total of \$745,852. Not only did this provide a stepped increase to the full rent, but it provided GSA with a financial incentive to vacate the Customs House by the end of the term of SLA-1, as they would not have to repay the discount amount of \$745,852 if they moved out by the end of the term. However, since CBP did not move out by the end of the term of SLA-1, the Harbor Department is owed the full amount of \$745,852.

According to the terms of SLA-1, the incentive amount of \$745,852 was due on or before May 31, 2013. The Harbor Department billed for this amount, but it was not paid. GSA requested to pay the amount in equal installments over the course of the new extension, but Harbor Department staff was not agreeable to the proposal. The payment is in process by GSA but has been held up by their Finance staff.

To provide for a mechanism for repayment of the discount, GSA has suggested that the Harbor Department file a claim against GSA. Per GSA, although the amount owed is not in dispute by either party, a claim can provide a mechanism to allow GSA to pay the

SUBJECT: PROPOSED LEASE EXTENSION FOR THE CBP LABORATORY

amount owed. Therefore, the Harbor Department is moving through the claim process with GSA. Based on the current status of the claim, GSA estimates that the latest the Harbor Department will be paid is the first week of January 2014. There is a chance the payment could be received the first week of December 2013 if GSA can approve the claim internally and move the payment request to their Finance staff by November 15, 2013.

Since the Harbor Department does not charge late fees or penalties to government agencies, the \$745,852 will not be subject to interest. GSA is currently one month behind on their monthly rent of \$77,668. However, it is common for government agencies to run behind with payments due to lengthy payment processes.

Proposed Rent: The proposed total monthly rent is \$80,427. The increased amount is based on the percentage increase in the Consumer Price Index (CPI) on the property rent from March 2010 to March 2013. The change in CPI over this period is 6.4 percent (239.995 in March 2013 vs. 225.483 in March 2010). The utilities and maintenance costs have remained the same and are not expected to change.

Effective Date	Total Monthly Rent	# of Months	Total
March 23, 2013 to March 22, 2014	\$ 80,427	12	\$ 965,124

In addition to the monthly rent total, the full amount of the previous term discount (\$745,852) will be paid. The total amount to be paid under this agreement is \$1,710,976.

Please note that Federal Law requires this lease extension to be on GSA's supplemental lease template, as was SLA-1 and the original GSA Lease, and is attached as Transmittal 2 for further reference. All other terms and conditions of the previously approved lease and lease extension will remain the same. Federal Law requires lessors to execute documents first. Therefore, the extension must be presented to the Board for approval before GSA executes the document.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an 12-month lease extension for the continued operation of the CBP laboratory on Terminal Island. As an activity involving the amendment of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article Class 1 (14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

SUBJECT: PROPOSED LEASE EXTENSION FOR THE CBP LABORATORY

FINANCIAL IMPACT:

Approving this lease extension will result in total rental revenue of \$965,124 over the course of the 12-month extension, plus repayment of the discount made during the previous term. If GSA continued to pay the current rent of \$77,668 per month until March 2014 instead of the new rental amount, the expected revenue would be \$932,016. Therefore, the incremental additional revenue stemming from this extension is estimated to be \$33,108.

CITY ATTORNEY:

SLA-2 is subject to approval as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Site Map
2. Supplemental Lease Agreement No. 2


JACK C. HEDGE
Director of Real Estate

FIS Approval: WR (Initials)
CA Approval: JMC (Initials)

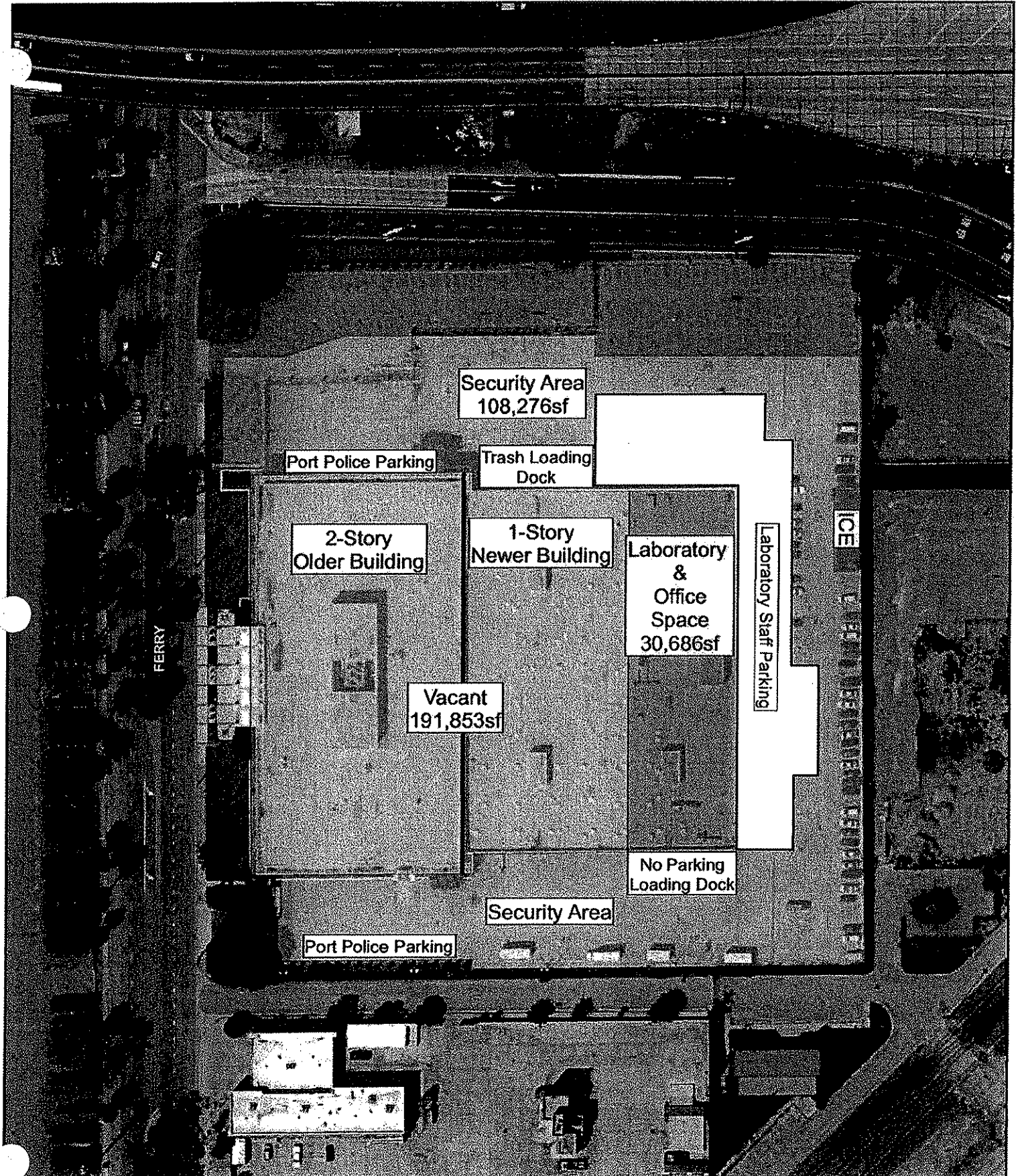

KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:

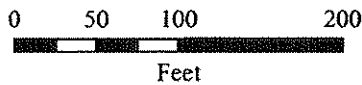

GARY LEE MOORE, P.E.
Interim Executive Director

GK:KM:JCH:RG:ST:JK:raw
Author: Jeremy Karmelich
BL465raw GSA

U.S. Customs Laboratory – GSA Premises



Transmittal 1



Harbor Department
Planning & Economic Development
Map Produced 8/2013



GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE
SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL
AGREEMENT
No. 02

DATE

AS OF PREMISES:
South Ferry Street, Terminal Island
Los Angeles, California 90731

TO LEASE NO. GS-098-01498

THIS AGREEMENT, made and entered into this date by and between: The City of Los Angeles

whose address is: Harbor Department - Port of Los Angeles
Attn: Real Estate Division
425 S. Palos Verdes Street
San Pedro, CA 90731-3309

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended effective upon Government execution as follows:

To extend the lease for a period of 12 months and to restate the annual rental amounts.

Part II B and Part II C are deleted in their entirety and substituted therefore. Paragraph 24 is added.

Part II B:

TO HAVE AND TO HOLD the said premises with their appurtenances for the term beginning March 23, 2005 and terminates no later than March 22, 2014, subject to termination and renewal rights as may be hereinafter set forth.

Part II C:

The Government shall pay the Lessor rent as follows.

Effective Dates	Total Annual Rent	Monthly Rent
March 23, 2013 to March 22, 2014	\$965,124.00	\$80,427.00

Rent is payable in arrears. Rent for a lesser period shall be prorated. Rent checks shall be made payable to:

City of LA -- Harbor Department
P.O. Box 514300
Los Angeles, California 90051-4300

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: The City of Los Angeles by Its Board of Harbor Commissioners

BY _____
(Signature)

Executive Director
(Title)

APPROVED AS TO FORM AND LEGALITY
Nov. 14, 2013
MICHAEL DE FEUER, City Attorney
By _____
Deputy City Attorney

IN THE PRESENCE OF (witnessed by:)

(Signature) (Address)

UNITED STATES OF AMERICA, General Services Administration, Public Buildings Service.

(Signature)

Contracting Officer
GSA, PBS, RED

**SHEET NO. 2 ATTACHED TO SUPPLEMENTAL AGREEMENT NO. 2 AND MADE A PART OF LEASE NO.
GS-09B-01498**

24. Pursuant to Paragraph 23 of the Lease, the Government shall pay the Lessor the rental credit amount of (\$745,852.45), which was due on May 31, 2013. No action of the Lessor, including entering into this Supplemental Lease Agreement No. 2, shall be construed as a waiver of any of the Lessor's rights or remedies including the right of the Lessor to the said amount.

The Government acknowledges that it owes \$745,852.45 to the Lessor per SLA 1 (Sheet 2 Attached to SLA No. 1—Lease No. GS-09B-01498). It is undisputed that Government did not vacate the subject premises timely (March 22, 2013) and thus said amount is past due and is owed to the Lessor. The Government represents that it currently is processing payment of the \$745,852.45 to be paid to the Lessor and estimates that payment to the Lessor shall take place on or before January 3, 2014.

LESSOR INITIAL: _____
GOV'T INITIAL: _____

#12

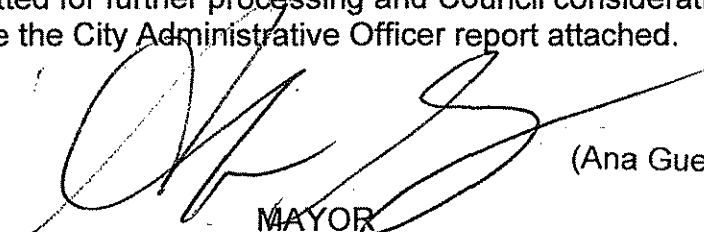
0150-09619-0001

TRANSMITTAL

TO Gary Lee Moore, Interim Executive Director Harbor Department	DATE FEB 07 2014	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15

PROPOSED AMENDMENT FOR A 12-MONTH LEASE EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER PROTECTION LABORATORY ON TERMINAL ISLAND

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.


(Ana Guerrero)
MAYOR

MAS:ABN:10140135t

"REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 06, 2014

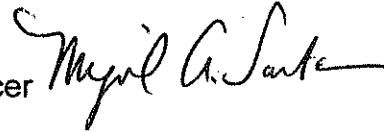
CAO File No. 0150-09619-0001

Council File No.

Council District: 15

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Correspondence from the Harbor Department dated December 19, 2013; referred by the Mayor dated December 24, 2013

Subject: **PROPOSED AMENDMENT FOR A 12-MONTH LEASE EXTENSION FOR THE UNITED STATES CUSTOMS AND BORDER PROTECTION LABORATORY ON TERMINAL ISLAND**

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 13-7588 to authorize a 12-month lease extension to Agreement No. 2384 with the United States (U.S.) General Services Administration (GSA) to continue operation of a U.S. Customs and Border Protection (CBP) Laboratory. The CBP Laboratory is located on property at 300 South Ferry Street on Terminal Island within the City of Los Angeles. The Port is requesting to extend the existing 36-month lease agreement by an additional 12 months, retroactively from March 2013 to March 2014. The GSA leased property contains a 222,530 square foot facility, which includes approximately 31,000 square feet of office and laboratory space and 108,000 square feet of parking and security areas. According to the Port, a part of the facility is used by the Port Police for training, storage and parking.

The above-referenced aspects of the proposed lease, and this report, incorporate revised information received from the Port subsequent to the initial request submittal. Pursuant to Charter Section 606, Council approval of the proposed lease extension is required because the cumulative term exceeds five years.

BACKGROUND

In March 2005, the GSA entered into an original Agreement with the Port to transfer ownership of property rights of approximately nine acres of federal surplus property to the Port through a quitclaim deed. GSA determined that the CBP Laboratory was surplus government property and available for disposal through a no-cost public benefit transfer. The Port entered into a Memorandum of Understanding (MOU) to quitclaim or transfer the property rights, and lease back a portion of the facility to the GSA for the continued occupancy of the CBP Laboratory for up to five years or until the lab relocates. In March 2010, the Port requested an extension to the lease

agreement of 36 months, with an expiration date in March 2013 (C.F. 11-1569). The lease agreement has been under holdover status since that date. A holdover status can extend the agreement beyond the expiration date on a month-to-month basis under the same terms and conditions. Since the land had been declared surplus federal property, the Port could acquire the property at no cost as long as it is used for a Port use. Otherwise, the land could revert to the federal government. According to the Port, the leaseback arrangement protects the continued occupancy of the CBP Laboratory until it relocates to a new facility. GSA was required to pay only for overhead costs for the CBP Laboratory. Subsequently, because GSA's relocation was delayed, the Port began to charge rent. Once the GSA moves, the Port will be able to use the site of the CBP Laboratory for other activities.

PROPOSED LEASE EXTENSION

The Port states that GSA is requesting to extend its Agreement with the Port to provide additional time to relocate its CBP Laboratory to its new GSA facility. GSA expects that the new facility will be completed and they will move prior to end of the proposed contract extension. GSA has an option to terminate the lease prior to the expiration date with a 30-day written notice to the Port. Annual compensation to the Port will be based on the pro-rated costs of utility and maintenance costs and will include rent for the office building, land, parking areas, security and any additional improvements. The rental rate will be based on recent market surveys.

In the original Agreement, GSA shared the use of the facility with the Port Police. However, GSA was considered the primary user of the facility and paid 90 percent of the annual utilities and maintenance costs. Annual compensation to the Port will be changed and based on the pro-rated costs for rent and utilities and maintenance for the office building, land, loading docks, parking areas, security and any other improvements. GSA is billed separately for costs associated with fire, life and safety compliances for the facility. The Port will pay approximately 10 percent of the utility and maintenance costs attributable to Port Police operations.

The Port said that the original agreement in 2005 did not include any provision for rent. The existing 36-month lease agreement included expenses for annual rent and utilities and maintenance costs. Since there was a significant increase, in part due to the rental charges, the Port received approval for an incentive discount to GSA of \$745,852 during first two years of the 3-year agreement to encourage GSA to relocate the CBP Laboratory before the lease expiration date. The incentive amount was due on or before May 31, 2013. Since GSA did not move the CBP Laboratory by the due date, GSA was responsible to pay the Port the full amount of \$745,852 for the discount of expenses that it received for the first two years of the lease. According to the Port, GSA has asked to pay the amount over an agreed upon scheduled period. The Port will not charge late fees or penalties on the amount due because it is another governmental agency. Subsequent to the approval of the Board report, the Port stated that GSA fulfilled its outstanding obligation and paid the \$745,852 due under this agreement.

The rent paid by GSA is approximately \$77,668, which includes \$42,865 per month in property and \$34,803 per month in utilities and maintenance paid for or provided by the Port. GSA will pay 90 percent of the \$38,670 per month in utilities and maintenance costs attributable to CBP

operation, which is estimated at \$34,803. According to the Port, GSA's monthly rental rates includes \$23,015 per month for rent and \$19,851 per month for the parking lot, based on a 10 percent rate of return of the land value, for a combined total of \$42,865. The Port states that the proposed total rent is \$80,427 per month and \$965,124 for one year, an increase of approximately \$30,000 per year. The increased amount is based on the percentage increase in the Consumer Price Index on the property rent from March 2010 to 2013. All other terms and conditions of the lease will remain the same.

The City Attorney has approved the proposed continuation of the lease agreement with GSA as to form. Since the proposed agreement is a property lease, the request is not subject to the provisions of Charter Section 1022. The Director of Environmental Management has determined that the proposed action is the approval of a 12-month lease extension with GSA for the continued operation of the CBP Laboratory and is therefore exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article Class 1(14) of the Los Angeles City CEQA Guidelines.

RECOMMENDATION

That the Mayor approve Harbor Department (Port) Resolution No. 13-7588 to authorize a 12-month lease extension to Agreement No. 2384 with the United States (U.S.) General Services Administration (GSA) to continue operation of a U.S. Customs and Border Protection (CBP) Laboratory on property located at 300 South Ferry on Terminal Island, and return the proposed document to the Port for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed lease agreement between the Harbor Department (Port) and U.S. General Services Administration (GSA) will authorize a 12-month lease extension for the U.S. Customs and Border Protection (CBP) Laboratory and result in estimated increase in net revenues of approximately \$30,000 for rent, utilities and maintenance costs and an one-time payment of \$745,852, under this contract, for a total of approximately \$775,852. The proposed Lease agreement complies with the Port's adopted financial Policies and will have no impact on the City's General Fund. All additional funds will be deposited into the Harbor Revenue Fund.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," and the Los Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes actions disapproving a contact that is longer than five years within 30 days after submission to Council, the contact will be deemed approved.