

**Metro™**

16B-2

**CONSTRUCTION COMMITTEE
APRIL 15, 2004
CLOSED SESSION****SUBJECT: METRO GOLD LINE EASTSIDE EXTENSION PROJECT****ACTION: APPROVAL OF AN ADMINISTRATIVE SETTLEMENT
PARCEL ES-589****RECOMMENDATION**

Approve an Administrative Settlement in the amount of \$925,705 for the acquisition of the real property and business fixtures and equipment of Parcel ES-589 and to pay escrow fees, title insurance fees and relocation benefits pursuant to federal and state regulations.

RATIONALE

Parcel ES-589 is an improved parcel of land located at 132 S. Indiana Street in the City of Los Angeles. Acquisition of Parcel ES-589 is required for the planned construction and operation of the Metro Gold Line Eastside Extension Project. The parcel is improved with a single story, concrete block industrial warehouse/showroom building that is occupied by an owner-occupied plumbing supply business. The Board approved Just Compensation in the amount of \$720,705 for the acquisition of this parcel on August 28, 2003, which consisted of \$625,000 for the real property and \$95,705 for fixtures and equipment. An offer was made to the owner for the purchase of the real property and fixtures and equipment and the owner subsequently rejected the offer. The owner contended that the price offered for the real property was not sufficient to acquire a new facility for the business operation and was not reflective of current market value.

Since the original appraisal that formed the basis of Just Compensation was prepared in April 2003, staff obtained an updated appraisal in January 2004 that reflected the current market for industrial properties. The updated appraisal indicated a revised value of \$780,000 for the real property as improved. The basis for the revised value is discussed in Attachment 1.

A conditional revised offer was made to the property owner on February 18, 2003 based on the updated appraisal recommended fair market value. The total revised offer of \$875,705 consisted of \$780,000 for the real property and \$95,705 for improvements pertaining to realty. After extensive negotiations, the property owner has indicated a willingness to accept \$925,705 for the acquisition of Parcel ES-589. This amount is an increase of \$50,000, or approximately 6%, over the revised Just Compensation amount (\$875,705). The additional amount was requested to assure that the owner has sufficient funds to purchase and make improvements to a property that will be acquired for the continued operation of the business.

FINANCIAL IMPACT

Funds to acquire Parcel ES-589 were included in the approved FY04 budget in Cost Center 8510, Project 800088, Metro Gold Line Eastside Extension Project.

ALTERNATIVE CONSIDERED

The Board has the option to withhold approval of the recommended administrative settlement for the acquisition of Parcel ES-589. The alternative to accepting the recommended settlement amount is to file a condemnation action which could result in additional delays and costs to the Project. Litigation expenses would be incurred consisting of court costs, attorney fees, witness fees, and a possible higher jury award in favor of the property owner.

ATTACHMENTS

Attachment 1 – Basis for Administrative Settlement

Attachment 2 – Plat Map

**Prepared By: Velma C. Marshall
Director of Real Estate**



**Don Ott
Executive Officer, Administration**



**Roger Snoble
Chief Executive Officer**

**BASIS FOR ADMINISTRATIVE SETTLEMENT
(PARCEL ES-589)**

Address: 132 S. Indiana Street, East Los Angeles

Property Owner: M-C Investments, a California general partnership

Site Description: The subject parcel is an improved parcel of land located on the east side of Indiana Street in East Los Angeles containing approximately 18,468 square feet. The property is improved with a single story warehouse building containing approximately 6,000 square feet. The yard area is paved with concrete slab with perimeter fencing and block wall. The yard contains landscaping with sprinkler system and security system with lights.

Recommend Revised

Just Compensation: \$875,705 (\$780,000 is allocated for real property and \$95,705 for the business fixtures and equipment).

Appraisers:

Real Property:

Joe Villegas, MAI – Villegas Appraisal Company

Fixtures and Equipment (Improvement Pertaining to Realty):

Desmond, Marcello, & Amster

Highest & Best Use: As improved, the appraiser concluded that the property's continued use as currently developed represents the highest and best use.

Appraisal Summary - Real Property:

Joe Villegas prepared an updated appraisal. Mr. Villegas utilized two of the three traditional value approaches (Sales Comparison and Income Approach) in his updated appraisal.

Sales Comparison Appraisal Approach: Under the Sales Comparison approach, the appraiser investigated five new improved property sales that were not utilized in the original appraisal report. The appraiser considered these sales to be more similar in building size and indicative of current market value. Based on the sales and comparative analysis, the appraiser increased the value from \$100 per square foot of building area to \$130 per square foot resulting in a value under the Sales Approach of \$780,000 (6,000 sq. ft. x \$130.00/sq. ft).

Income Capitalization Approach: Under the Income Approach, the appraiser utilized only one of his original four rental comparables and added three new ones. The rental rates for the

updated comparables ranged between \$0.87 and \$1.07 per square foot. The appraiser relied on two sales to reach his Overall Capitalization Rate of 7.50% which was lower than the rate used in his previous appraisal. The indicated value under the Income Approach was \$736,000.

Summary and Recommendation: The appraiser reconciled the two appraisal approaches to value and gave greater weight to the Sales Comparison Approach (\$780,000) with secondary weight on the Income Approach (\$736,000) in his final estimation of value. He concluded that the fee simple value of the subject property is \$780,000.

Appraisal Summary – Fixtures and Equipment:

In valuing the business fixtures and equipment, the appraiser contacted the manufacturers' representatives and used Marshall & Swift Valuation Services, Grainger Industrial & Commercial Supply publications, and McMaster-Carr Supply Company catalogs. The appraiser estimated the fair market value in place for the business fixtures and equipment at \$95,705. It was concluded that there was no change in the valuation of the business fixtures and equipment from the original valuation.

Recommended Revised Just Compensation:

Recommended Revised Just Compensation for the acquisition of the real property and business fixtures and equipment is \$875,705 (\$780,000 + \$95,705).

GRANTOR : M & C INVESTMENTS
 DESCRIPTION : LOTS 12, 14 AND 16, BLOCK 2, BELVEDERE TRACT; M.R. 18-48

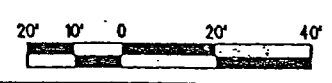
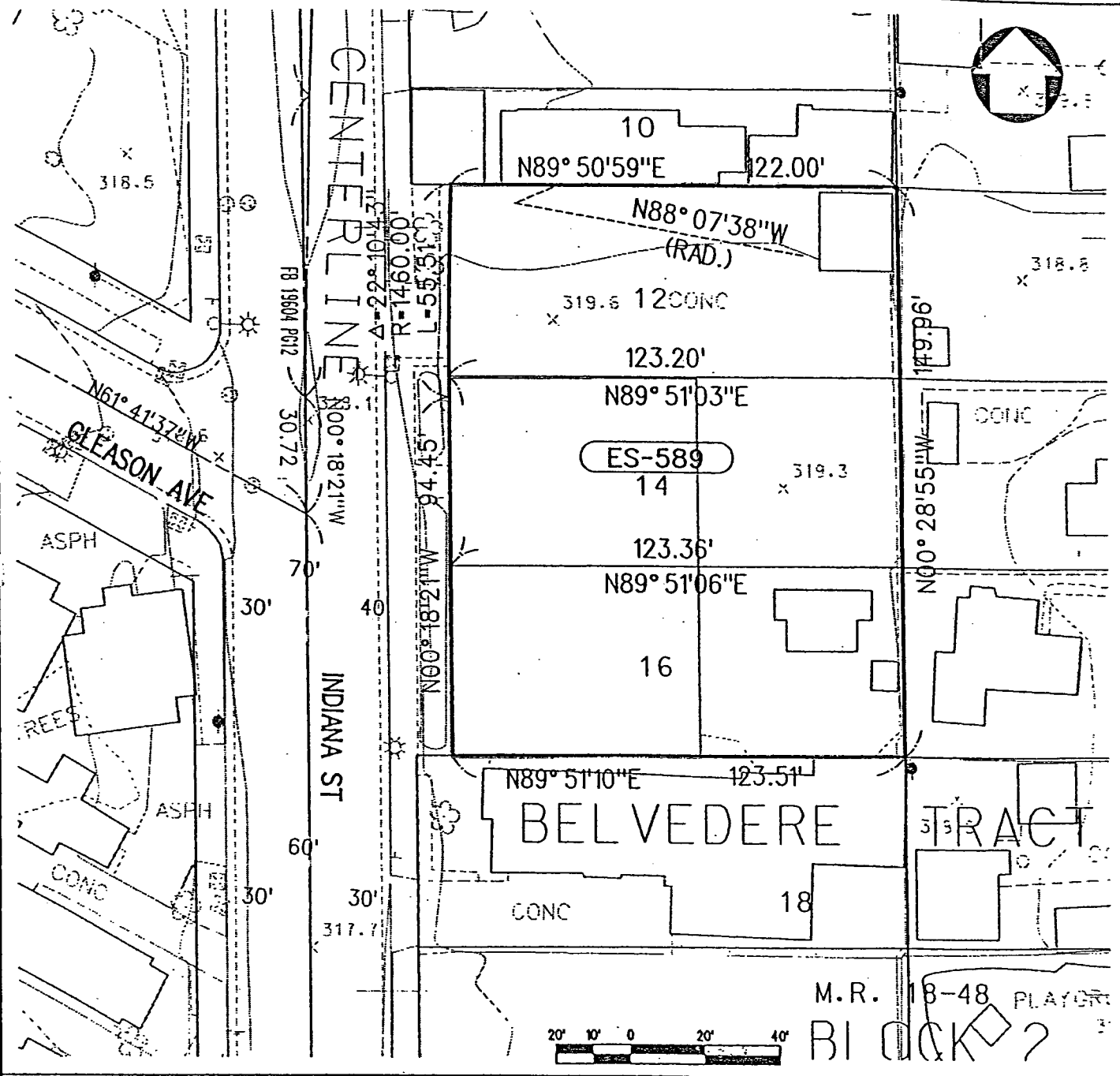
from public sources and are subject to field verification. Bearings are based on North American Datum 1983 (NAD 83).

BENCH MARK : N/A

TITLE REPORT : ADDRESS : 132 S. INDIANA STREET

ASSESSORS REF. 5232-020-042 R.O.W. REFERENCE PI-008; ES-549

NO.	DATE	REVISION DESCRIPTION



PARCEL NO.	TOTAL PARCEL	ES-589 (FEED)		
NET AREA - SQUARE FEET	10,468	10,468		

M LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY EASTSIDE LRT PROJECT

EASTSIDE LRT PARTNERS
 a consortium of
 Parsons Brinckerhoff Rand & Douglas, Inc.
 Building Edge Partnership, Inc.
 Skidmore, Peck & Associates, Inc.

APPROVED BY:
[Signature]
 MTA PROJECT MANAGER

SUBMITTED BY: *[Signature]*
 ELRT PROJECT MANAGER

PARCEL PLAT

ES-589

SHEET 1 OF 1

CONTRACT NO./DESIGN UNIT
 C0801

SCALE
 1" = 40'

DATE
 3/08/02

DRAWN BY
 S BASHIRI

CHECKED BY
 L E RUSH

REV. DATE REV. NO.