



**CONSTRUCTION COMMITTEE
OCTOBER 19, 2006**

**SUBJECT: METRO GOLD LINE EASTSIDE EXTENSION
INDIANA STREET LRT STATION
LAUSD RAMONA OPPORTUNITY HIGH SCHOOL**

**ACTION: APPROVE AN EXTENSION OF TIME TO THE
AGREEMENT FOR THE PROPERTY EXCHANGE
BETWEEN METRO AND LAUSD**

RECOMMENDATION

- A. Approve an extension of time from the previous Board-directed deadline of November 1, 2006 to February 15, 2007, to allow both parties to fulfill the obligations of the Exchange Agreement With Escrow Instructions, Funding and Reimbursement Agreement and Development Agreement Between LACMTA (Metro) and LAUSD (the "Agreement") and
- B. Authorize the CEO to execute an amendment to the Agreement to allow escrow to close no later than February 15, 2007, subject to both parties fulfilling the conditions to close under the Agreement.

ISSUE

On June 22, 2006 the Metro Board of Directors authorized the Chief Executive Officer to finalize and execute the Exchange Agreement With Escrow Instructions, Funding and Reimbursement Agreement and Development Agreement Between LACMTA (Metro) and LAUSD and allow both parties to proceed with the acquisition activities and allow LAUSD to obtain construction bids for the new construction and rebuilding of Ramona Opportunity High School so that an updated Total Project Cost estimate could be presented to the Metro Board of Directors as a condition that it must be approved, prior to the close of Escrow and the award of a LAUSD construction contract. The Agreement was executed on July 27, 2006. The property exchange is required for Metro to build the Metro Gold Line Eastside Extension Indiana Street Station on a portion of the Ramona Opportunity High School site that is currently owned by LAUSD.

LAUSD received construction bids on October 10, 2006. The apparent low bid was received in the amount of \$32,937,000. If the contract is awarded to the apparent low bidder, the amount added to the cost of the property and other soft costs will exceed the Total Project Cost Estimate of \$35 million.

Staff is requesting Metro Board approval to extend the property exchange deadline to beyond the November 1, 2006 date, which was stipulated in the May 3, 2006 Metro Board Action. This will allow Metro and LAUSD additional time to prepare an Action Plan to address the substantial increase to the Total Project Cost Estimate.

Furthermore, as part of the Agreement, Metro acquired 9 (nine) properties on Alma Avenue that will be transferred to LAUSD at the close of escrow. The recommended time extension will allow Metro additional time to vacate all of the properties, complete demolition of the structures and complete testing of the soil to satisfy the closing condition that Metro receive a letter of "No Further Action" from the Department of Toxic Substances Control (DTSC) before transferring ownership of the Alma Avenue properties to LAUSD.

Therefore, staff recommends that the Agreement be amended to extend the deadline for exchanging properties to February 15, 2007, with a provision that the land exchange may occur earlier if all of the closing conditions are met.

BACKGROUND

On May 3, 2006, the Metro Board of Directors approved the following funding increase to re-build Ramona Opportunity High School (based on a total Project Cost of \$35 million), contingent upon the LAUSD sharing the cost as follows: Metro provides its original commitment of \$20 million; LAUSD provides \$4 million in joint use or other LAUSD funds; Metro provides 20% (not-to-exceed \$1 million) to match LAUSD's joint use funds; any costs above \$25 million and up to \$35 million would be shared equally between Metro and LAUSD. Metro's cost shall be capped at \$26 million. The Board's approval was contingent on the following:

- The LAUSD Board of Education approving the Agreement within 60 days; (Extension of an additional 30 days approved on June 22, 2006 by the Metro Board)
- The LAUSD providing site control to the necessary portions of Ramona Opportunity High School on Indiana Street, no later than November 1, 2006;
- The LAUSD rebuilding Ramona Opportunity High School as described in Option 1A, the master plan and the design as submitted to the State including any modifications required by the State; and

- The LAUSD issuing a notice to proceed for construction within four months after Metro has cleared the site for construction;

Metro Board's approval also included the following:

- Metro funds shall only be used for the Ramona Opportunity High School rebuild and not for any other purpose not explicitly agreed to by the Metro Board;
- City of Los Angeles shall identify a joint use programming commitment within one year; and
- Authorize the Chief Executive Officer to seek additional federal, state and or local funds that the Ramona Opportunity High School rebuild may be eligible for, in order to partially or fully offset the Metro cost commitment.

On June 13, 2006, the LAUSD Board of Education approved funds to demolish and rebuild Ramona Opportunity High School based on the following shared-cost funding plan:

1. Metro provides its original commitment of \$20 million (towards construction, land and other soft costs);
2. The new gymnasium, auditorium and play fields were identified as joint use projects, which led to an agreement of an 80/20 split with LAUSD allocating \$4 million and Metro and/or the City of Los Angeles allocating \$1 million;
3. LAUSD and Metro split costs that exceed \$25 million; and
4. Metro must provide a binding commitment for means of shared liability of project costs that exceed \$35 million.

Under the plan approved by the Board of Education, no LAUSD funds shall be expended, construction contracts awarded, or land exchanged until the conditions stipulated in the Agreement are met, subject to and contingent upon the final, binding commitments between LAUSD, Metro and the City of Los Angeles.

FINANCIAL IMPACT

Metro funding for the \$26 million would come from the following funding sources:

- \$12 million is available from the existing Project 800088 Metro Gold Line Eastside Extension Project Budget.
- \$14 million would be made available through an allocation of State Traffic Congestion Relief Program funds for Eastside enhancements and mitigations.

Appropriate actions will be made to the FY07 Budget to reflect the actions approved by the Metro Board of Directors.

PATH FORWARD

- Upon Metro Board approval of the staff recommendation to extend the property exchange deadline date to February 15, 2007, Metro and LAUSD will utilize the time extension to develop an Action Plan to address the increases to the Total Project Cost Estimate for presentation to the Board at the December 7, 2006 Metro Board Meeting.

ALTERNATIVES CONSIDERED

Metro staff has presented an alternative to the Metro Board of Directors involving the relocation of the Indiana LRT Station to 3rd Street. This alternative was presented at a Community Workshop and was found to be not acceptable to the community. Metro staff also submitted a Draft Environmental Assessment/Addendum of the alternative to the Federal Transportation Administration (FTA) for their review. FTA has raised its concerns about the need for further public review and comments that may produce significant schedule impacts and cost increases to the Metro Gold Line Eastside Extension Project.

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10/12/06

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