



Metro

Los Angeles County
Metropolitan Transportation Authority

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FINANCE & BUDGET COMMITTEE
November 14, 2007

SUBJECT: SALE OF SURPLUS PROPERTY

**ACTION: DECLARE CERTAIN METRO REAL PROPERTY AS SURPLUS AND
AUTHORIZE THE SALE TO AN ADJACENT PROPERTY OWNER**

RECOMMENDATION

Declare a portion of the Metro Red Line Yard (Division 20) site between 4th Street and 6th Street (the "Property") in the City of Los Angeles as surplus and authorize the sale of the property for \$596,000 to Chalmers Santa Fe, LLC less any closing costs paid by Metro.

ISSUE

The subject Property is a small portion of Division 20 and is located at the far south end of the Division. The Property contains approximately 18,731 square feet and is vacant land. The Property is not required nor expected to be used for any future Metro transit projects and is recommended for disposition after review and concurrence by various Metro departments, including Rail Operations. Disposition of surplus properties is an avenue for generating additional revenue to Metro and returning unused properties to active use.

The Property is subject to the terms and conditions of those certain Operative Documents as defined in that certain Participation Agreement made by and among Metro, LA Facilities, LLC, and Agilent Technologies, Inc., on August 8, 2001. Staff has secured the services of outside legal counsel, which has supported the position that entering into the contemplated sale will not constitute a breach of any Operative Documents (which include, among others, the Participation Agreement, the Head Lease and the Sublease) as defined in the Participation Agreement.

POLICY IMPLICATIONS

The disposition of this property complies with the adopted Disposition of Surplus Real Property Policy.

ALTERNATIVES CONSIDERED

The alternative to selling this property is to retain it for future transit purposes or to lease the site to others on an interim basis. Various Metro departments confirmed that there is no requirement for future transit activity on this portion of Division 20. The property is a vacant, landlocked lot and during the past three years, there have been no requests from the public to lease the site.

FINANCIAL IMPACT

The sale of this property will generate a one-time payment to Metro in the amount of \$596,000 less any closing costs attributed to Metro. The sale will reduce on-going maintenance costs, and limit the responsibilities and liabilities associated with ownership of a vacant parcel. The revenue received from the sale of the subject property will be used for other transportation related purposes.

BACKGROUND

Approximately 28 acres of land was acquired by the Southern California Rapid Transit District (predecessor of LACMTA) for construction and operation of the Metro Red Line Yard site. The subject property is a portion of the Yard that is vacant and unused for the normal operations of Division 20. The Board previously authorized the sale of approximately 42,022 square feet of land located on the southern end of the yard to the adjacent property owner, Chalmers Santa Fe, LLC. After Board approval and prior to entering into a contract of sale, several issues arose which staff determined would impact Metro's ability to sell the 42,022 square feet. Because of the pending joint development project on the Division's main parking lot, Rail Operations did not want to lose any additional land that may be required for rail storage and operations. Subsequent meetings were held with the adjacent property owner and Rail Operations and an agreement was reached to identify a smaller portion of the property which would not impede Rail Operations from using the remaining portion of the property for rail storage, if needed. Also, the buyer agreed to meet the two conditions that were previously established as a requirement to selling a portion of the property. The conditions included: (1) the exclusion of the portion of the Property which houses the signal system equipment and maintain a setback of 15 feet; and (2) that the owner grant Metro an emergency access easement across his adjacent property from Santa Fe Avenue.

Property Description

The Property is located at the southern tip of the Metro Red Line Yard site between 4th Street and 6th Street in the City of Los Angeles. The Property is a long, curvilinear, relatively narrow, landlocked site located at the southwest boundary of the Metro Red Line Yards and Shops property. The Property cannot be accessed from a public street and is currently vacant land. The Property to be sold contains approximately 18,731 square feet.

Property Value

An in-house appraiser prepared an appraisal of the Property with a date of value of September 17, 2007. Because the Property has no access from a public street, the highest and best use of the Property "as vacant" is joinder to the adjacent property. The appraiser analyzed seven (7) comparable land sales in the surrounding area that resulted in a value ranging from \$43.66 per square foot to \$221.84 per square foot. It was concluded that the value of the property was at the low end of the value range at \$70.00 per square foot. Typically a property that has a highest and best use of joinder is discounted since the Property cannot be developed as a stand-alone property. The amount of the discount applied to the value is influenced by the desire/need of the seller to sell and the desire/need of the

buyer to buy. The discounting process typically starts at 50%. A 50% discount was applied to the value due to the irregular shape of the parcel, the lack of street access except from the adjacent property and the limited opportunity to independently develop the property. Thus, the appraiser discounted the land value to \$35.00/square foot. Based upon the calculated area of 18,731 square feet, the recommended value of the Property is \$656,000 (rounded).

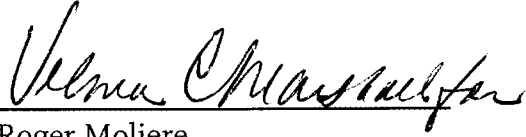
As partial consideration for the sale of the property, the buyer has agreed to provide a non-exclusive emergency access easement across their property to the subject property. The land area of the access easement is estimated to be approximately 3,433 square feet. The appraiser estimated the fee value of the adjacent property at \$70.00. The development restrictions associated with the proposed access easement will have a minimum impact on the development of the remainder of the adjacent parcel. The appraiser therefore estimated the market value of the easement to be the equivalent of 25% of the fee value or \$17.50 per square foot. The estimated market value of the easement is calculated to be \$60,000.

After deducting the fair market value of the easement to be granted to LACMTA from the fair market value of the subject property, the total consideration to be paid for the subject property is \$596,000.

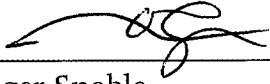
Staff recommends sale of the Property to the adjacent property owners for a purchase price of \$596,000.

ATTACHMENT - Parcel Plat

Prepared by: **Velma C. Marshall**
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