

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: September 15, 2011

Reference No.: 2.4c.
Action Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Brent L. Green
Chief
Division of Right of Way
and Land Surveys

Subject: **AIRSPACE LEASE - REQUEST TO DIRECTLY NEGOTIATE WITH
DOWNTOWN L.A. MOTORS (SHAMMUS INVESTMENT)**

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the California Transportation Commission approve a request to directly negotiate 15-year leases with two five-year options with Shamus Investment Company, LLC - Downtown L.A. Motors (Downtown L.A. Motors) for two airspace sites they lease from the Department. The leases would include annual consumer price index (CPI) increases as well as lease rate re-evaluations every five years. The initial lease rate will be based on fair market value as determined by a Department staff appraiser.

ISSUE:

Downtown L.A. Motors currently leases two airspace sites under the I-10 freeway in the downtown Los Angeles area. Site number LAX010-0051-01 is a 207,356 square foot (sq. ft.) parking lot site used for new vehicle storage. It is a 20-year lease that commenced on February 1, 1995 and will expire on January 31, 2015. Site number LAX010-0061-15 is a 101,530 sq. ft. parking lot also used for storage of new vehicle inventory. Both airspace sites are located in the downtown Los Angeles area near the Convention Center in the area known as South Park.

The dealership was founded by Nicholas Shammus in 1955 when he purchased the Felix Chevrolet dealership. It is still family-owned and operated and has expanded its operation so as to become the largest Mercedes Benz dealer west of the Mississippi.

Downtown L.A. Motors employs over 500 people and is very active in the local community providing support for nearby University of California, Los Angeles and Trade Tech College. In 2010, they paid state and local governments \$11,714,670 in tax revenue from vehicle sales.

Downtown L.A. Motors has spent considerable money in improving the sites they rent from the Department. They maintain them in excellent condition and have never been delinquent in their rental payments.

The Department has received letters of support for the long-term leases from the Mayor of Los Angeles Antonio R. Villaraigosa and the Community Redevelopment Agency of the City of Los Angeles.

SUMMARY:

Downtown L.A. Motors has, over many years, been a reliable and conscientious tenant to the Department and a very solid supporter of the local community as a whole. The two sites that they lease from the Department are critical to the viability of the dealership.

The Department would be receiving market rent as determined by a Department appraiser. The Department would also benefit from a steady stream of revenue and would not need to be concerned about the uncertainty of the viability of a new tenant through a competitive bid process. Because site number LAX010-0051-01 was negotiated 15 years ago, there has been major new development in the immediate area. As a result, the dealership is not considered to be paying market rent at this time. Downtown L.A. Motors has agreed to immediately execute new leases to bring them up to market rates rather than having to wait until they expire in 2015 and 2014 respectively.

Both the Mayor of Los Angeles and Community Redevelopment Agency are requesting that the Department execute the two long-term leases with Downtown L.A. Motors.

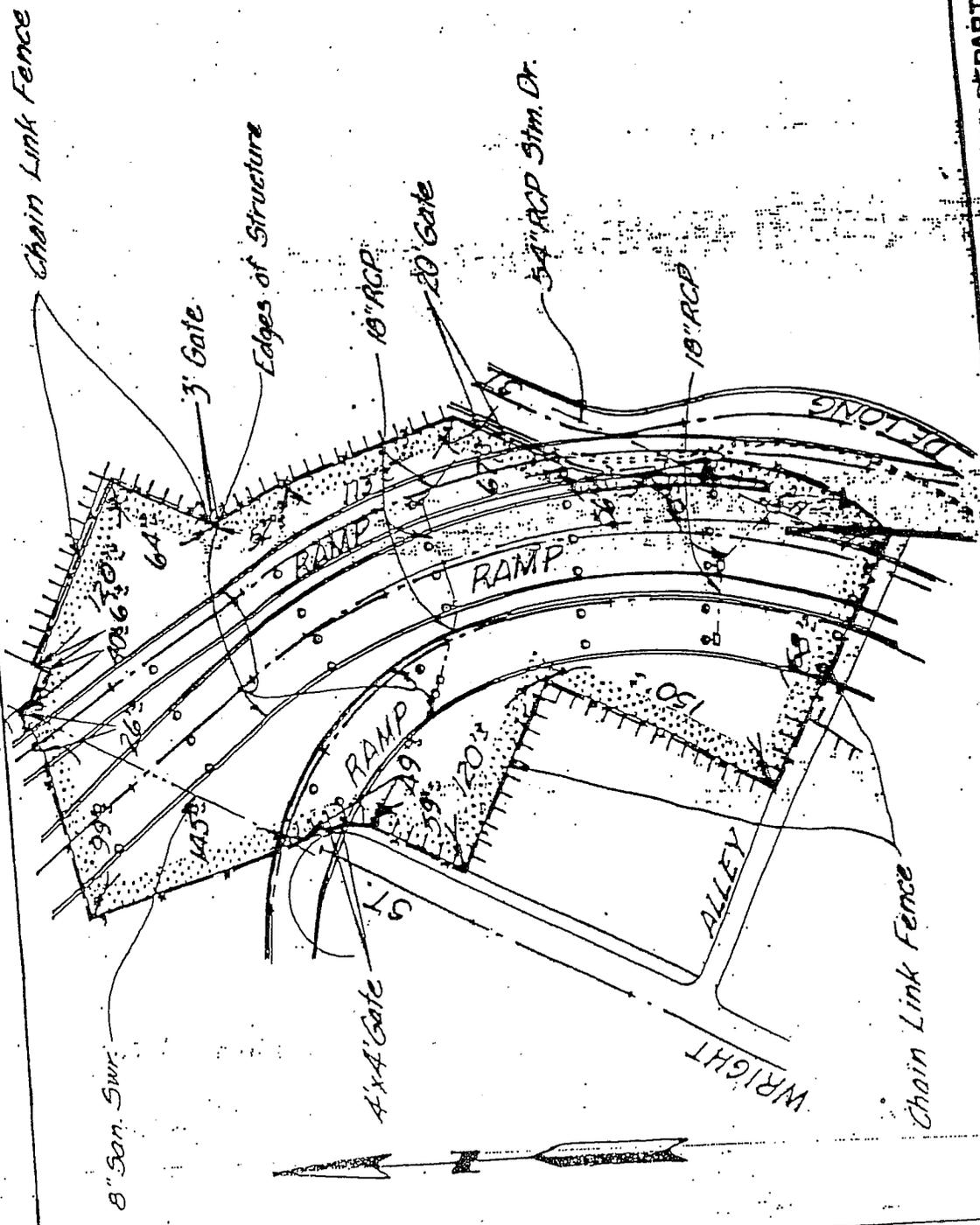
Therefore, the Department requests permission to negotiate directly with Downtown L.A. Motors for lease of the subject properties.

Attachments

- Exhibit A: Airspace maps
- Exhibit B: Photographs
- Exhibit C: Letters of support

Exhibit A

DIST. COUNTY	RTE.	P.M.
VII L.A.	10	4.E.



APPROXIMATE AREAS
 Covered Area 58,876
 Clear Area 37,663
 Gross Area 96,539
 Less Columns 427
 Net Area 96,112

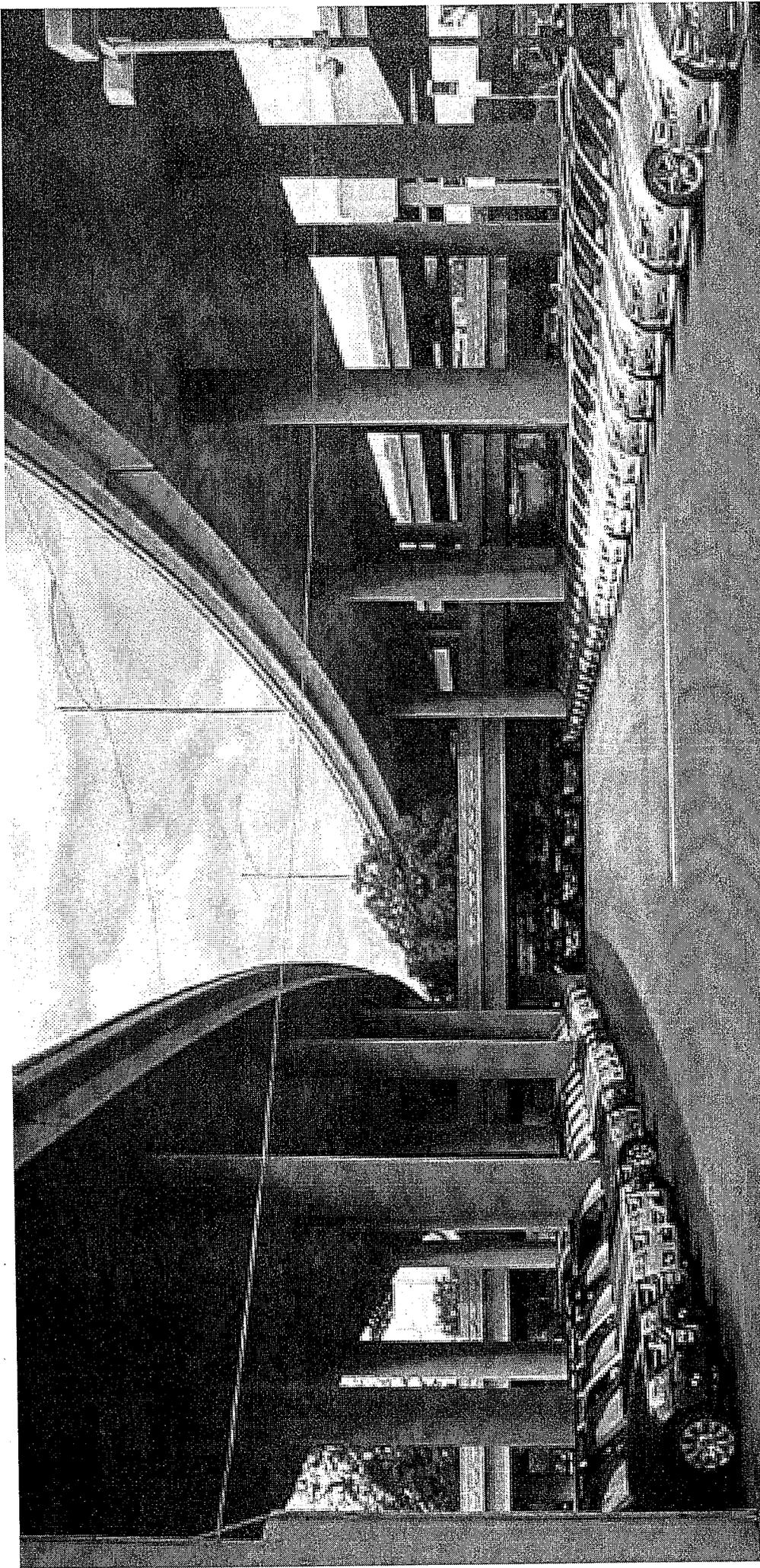
NOTE: Complete And Accurate
 Utility Data Should Be
 Verified By The Lessee.
 Columns: 4' Diameter Column
 Clearance: 24'

EXHIBIT A

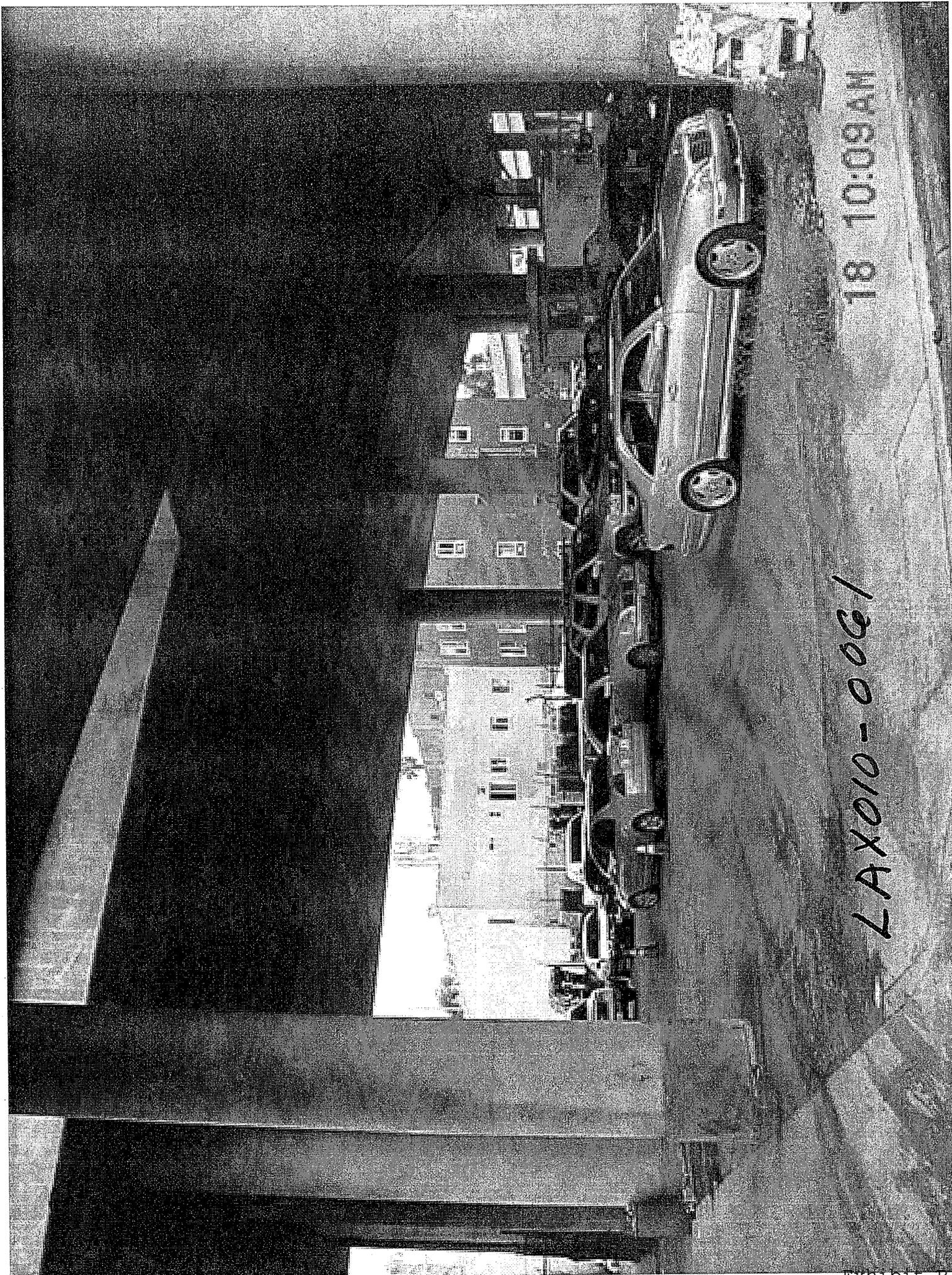
AGENCY DEPARTMENT OF TRANSPORTATION

Fwy. Lease Area
 Existing Access Cont
 DRAWN: DLPC/KD
 DATE: DEC. 3, 1974
 SCALE: 1" = 100'

STATE OF CALIFORNIA BUSINESS AND TRANSPORTATION AGENCY DEPARTMENT OF TRANSPORTATION
 EXHIBIT MAP
 FREEWAY LEASE AREA 07-FLA-10-61



LAX 010-0051



LAX010-0061

18 10:09AM



DATE /

FILE CODE /

448 S. Hill Street / Suite 1200
Los Angeles / California 90013

T 213 922 7800 / F 213 617 8233
www.crala.org

March 7, 2011

Paul Lamond
Department of Transportation
Southern Right of Way Legion
100 S. Main St., MS-6
Los Angeles, CA 90012

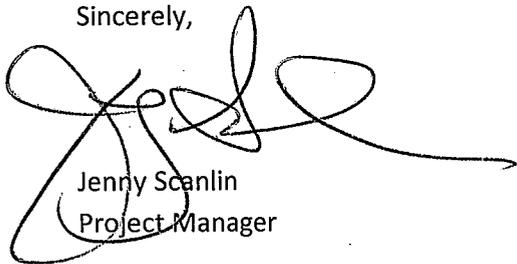
Dear Mr. Lamond:

The Downtown LA Auto Group (the "Group"), which has been in Los Angeles since 1959, has requested a longer-term extension of leases for parcels they currently have under lease from Caltrans for storage of inventory for their auto-related uses. The Group has leased this property from Caltrans for more than 20 years and is a very responsible tenant and neighbor to the surrounding community. The lease extensions are requested for planning purposes as the Group intends to make major investments in new buildings and expansions, but cannot make those capital investments without certainty that they will have space available to cover storage of inventory.

The Community Redevelopment Agency of the City of Los Angeles strongly supports this request as the Group owns and maintains a number of properties in our Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area and provides needed services and retail opportunities to South Los Angeles and the Downtown community. We urge Caltrans to grant this request and thank you in advance for your attention to this matter.

If you have any questions, please contact me at 213.922.7825.

Sincerely,



Jenny Scanlin
Project Manager



ANTONIO R. VILLARAIGOSA
MAYOR

March 3, 2011

Mr. Paul LaMond
State of California - Department of Transportation (Caltrans)
Southern Right of Way Region
Los Angeles Field Office, MS-6
100 S. Main Street
Los Angeles, CA 90012

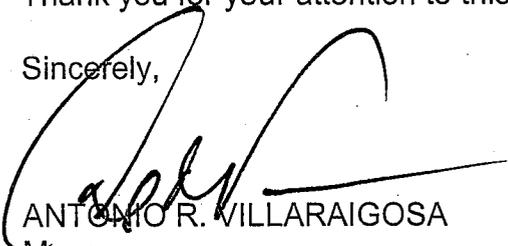
Dear Mr. Lamond:

The Downtown LA Auto Group, which has been in Los Angeles since 1959, has requested a longer term extension of leases for parcels they have leased for more than 20 years from Caltrans. The extensions are requested for planning purposes as the Group is planning more new building and expansion, but relies upon the Caltrans lease for storage of inventory. The Group has always paid its rent on time and will provide Caltrans with annual CPI increases and market rate adjustments.

I, in addition to my office of economic development and the CRA, have supported this request and we urge Caltrans to do the same.

Thank you for your attention to this matter.

Sincerely,



ANTONIO R. VILLARAIGOSA
Mayor

ARV: mk

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