




MOUNTAINS RECREATION & CONSERVATION AUTHORITY

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MEMORANDUM

TO: The Governing Board

FROM: 
Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer

DATE: February 7, 2018

SUBJECT: **Agenda Item X: Consideration of resolution authorizing a Request for Proposals for potential uses, including community benefits, of the approximately 27,000-square foot industrial building located at 2960 Marsh Street, City of Los Angeles.**

Staff Recommendation: That the Governing Board adopt the attached resolution authorizing a Request for Proposals for potential uses, including community benefits, of the approximately 27,000-square foot industrial building located at 2960 Marsh Street, City of Los Angeles.

Background: In 2001, MRCA acquired the 5.4-acre Marsh Park property utilizing funding from Proposition 13, the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act of 2000. At the time it was acquired, the property contained four structures totaling approximately 53,400 square feet of enclosed space suitable for various leased uses. On April 9, 2001, the Governing Board authorized the expenditure of lease revenues from the Marsh Street property on Los Angeles River related projects.

A 9,000-square foot building at the end of Marsh Street was demolished early on and this area was improved as the park's first phase of development in 2006. In 2013, two buildings at the end of Gleneden Street were demolished and that area, along with a parking lot, was developed as the park's second phase. At this time, the only remaining structure is a 27,000-square foot, Type IV, light manufacturing building that extends along the north edge of the property. The current lease for the 27,000-square foot building will terminate on June 30, 2018 and the tenant has informally indicated they are not interested in renewal.

In keeping with the 2001 authorization, lease revenues from that building continue to be used to support maintenance activities along the Los Angeles River. The enterprise revenue from the current lease totals \$138,000 per year.

In the MRCA's adopted fiscal year 17/18 budget, the maintenance, operations, and patrol expenses on the river, including the recreation zone (kayaking program), total roughly \$717,000. Approximately 41% of this is recovered by Proposition A maintenance funds, contributions to the recreation zone by the City of Los Angeles, and special use permit fees. That leaves 59% of these costs that are funded by enterprise activities, such as lease revenue. The current lease for the subject building makes up 32% of that gap, and the rest is covered by enterprise activities at other locations.

Although there is a significant desire to demolish the subject building and complete the construction of Marsh Park, at this time there is simply no way that MRCA could eliminate that revenue source without reducing maintenance services along the river. Furthermore, MRCA's operations costs are expected to rise in the next 1-3 years due to an increase in minimum wage, annual increases to the cost of health benefits, increased CalPERS contribution requirements, and the multiplication of homeless encampments throughout the city requiring additional patrol. The current revenue of \$138,000 per year is equivalent to 1.5 full-time maintenance positions.

The previous tenant was on a month-to-month term and gave no advance notice of their termination. Although there was interest at that time in alternative uses for the building, the short notice meant that it was critical to engage a new tenant as soon as possible to protect the revenue stream. It is now recommended to put a Request for Proposals (RFP) out to ensure competition and give the Board the ability to consider non-financial aspects of a new tenant's operation. Respondents to the RFP will be required to describe the community benefits of their proposal that would be compatible with MRCA's objectives, such as local hiring requirements and/or public access opportunities.

Fiscal Impact: Staff time to coordinate the Request for Proposals will be paid from the general fund and this is already anticipated in the FY 17/18 budget. As described above, the lease revenue from the subject building is a significant component of MRCA's Los Angeles River operations program, and if the building is vacant or demolished services would have to be reduced.