

# Memorandum

To: CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: March 28-29, 2012

Reference No.: 2.4c.  
Action Item

From: NORMA ORTEGA  
Chief Financial Officer

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

Subject: **AIRSPACE LEASE - REQUEST TO DIRECTLY NEGOTIATE WITH  
McCALL AUTOMOTIVE, INC. DOING BUSINESS AS TOYOTA CENTRAL**

## **RECOMMENDATION:**

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) approve a request to directly negotiate a 15-year lease with McCall Automotive, Inc. doing business as Toyota Central, for the airspace site LAX010-0049-01 they currently sub-lease from the Department's tenant Downtown Lincoln-Mercury. The lease 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 appraiser. The value of this parcel is increased because of the contributing value to the whole Toyota Central operation. If valued as a single parking lot, not as a part of an Auto Dealership, it would have a lower value.

## **ISSUE:**

Toyota Central currently leases three airspace sites, and sub-leases one airspace site under the I-10 freeway in the downtown Los Angeles area as listed below:

- 1-- Site number LAX010-0048-02 is a 53,508 square foot (sq.ft.) parking lot site used for new vehicle storage. It is a 15-year lease that commenced on 08/01/2004 and will expire on 07/31/2019.
- 2-- Site number LAX010-0049-01, the subject of this action item is a 51,646 sq.ft. lot used for servicing vehicles and new vehicle storage as shown in the pictures in Exhibit D. It is a long term sub-lease that commenced on 03/01/1975 and will expire on 12/31/2012.
- 3-- Site number LAX010-0050-04 is a 46,507 sq.ft. parking lot also used for new vehicles storage. It is a long term lease that commenced on 08/01/1995 and will expire on 07/31/2019.
- 4-- Site number LAX010-0090-06 is a 25,305 sq.ft. parking lot also used for new vehicle storage. It is a long term lease that commenced on 05/01/2002 and will expire on 07/31/2019.

These parcels are located in the downtown Los Angeles area west of Figueroa Street and Flower Street as shown in Exhibits A, B and C.

Toyota Central employs over 132 people. For the years 2009 and 2010, Toyota Central provided salaries to its employees in excess of \$4 million annually. In 2009 and 2010 the State of California received from Toyota Central state sales tax revenue of \$2,554,878 and \$3,667,491. The City of Los Angeles received business license fees of \$96,257 and \$83,174. The County of Los Angeles received revenue from property taxes of \$118,882 and \$118,324 and Toyota Central has generated taxable sales in 2009 of \$31,967,647 and in 2010 of \$37,872,180.

Toyota Central has spent considerable expense in improving LAX010-0049-01 and other attached parcels and has never been in default of any obligations to the Department. They have continuously sub-leased and occupied LAX010-0049-01 and maintain all four parcels in excellent condition and have never been delinquent in their rental payments.

Toyota Central is currently prepared to engage in a large remodel project of its dealership facilities located at 1600 S. Figueroa Street, coterminous to LAX010-0049-01, in order to bring that facility in compliance with Toyota Factory Image USA II design, colors, and customer conveniences that will cost Toyota Central a substantial sum of money. Toyota Central believes that the proposed remodel will lead to greater sales volume and customer satisfaction. Securing a long-term lease for LAX010-0049-01 is critical to this new development.

The Department has received letters of support for the long-term leases from the Mayor of Los Angeles Antonio R. Villaraigosa, Council President Pro Tempore of the City of Los Angeles Jan Perry, and the Community Redevelopment Agency of the City of Los Angeles as shown in Exhibits E, F and G.

**SUMMARY:**

Toyota Central has for many years been a reliable and conscientious tenant to the Department and a very solid supporter of the local community as a whole. LAX010-0049-01 is an integral part of the dealership. If Toyota Central is not able to secure a long-term lease for this lot, they might choose to relocate. This would create a vacancy for this lot and potentially three other parcels that Toyota Central leases from the Department.

If Toyota Central relocates, the Department will over time be able to secure other tenants; however, these properties will most probably be leased for overflow, or fringe parking for the LA Convention Center. It is estimated that the parking rents would be 10 to 15 percent below what Toyota Central has paid.

The Department would be receiving market rent as determined by a Department appraiser based upon the current use as an Auto Dealership. Competitive bidding of this airspace site LAX010-0049-01 is not in the interest of the State. The best use and highest return to the State is to keeping this site as an integral part of the Toyota Central Auto Dealership operation. Loss of this site would cause Toyota Central to lose its ability to operate as a Toyota dealership thus devaluing the State's three other airspace sites and the property values of the general area. In addition the State would lose substantial tax revenue and employment in the area if Toyota Central closed down.

Both the Mayor of Los Angeles and the Community Redevelopment Agency are requesting that the Department execute the long-term lease with Toyota Central.

Therefore, the Department requests permission to negotiate directly with Toyota Central for lease of the subject property.

Attachments:

Exhibit A: Map - Lease Area Block

Exhibit B: Map – Leased Area - Detail 1

Exhibit C: Map – Leased Area - Detail 2

Exhibit D: Photographs (2 pages)

Exhibit E: Letter of support from Mayor's Office

Exhibit F: Letter of support from Jan Perry, President Pro Tempore, City Council, City of  
Los Angeles

Exhibit G: Letter of support from Community Redevelopment Agency – City of Los Angeles

Exhibit H: Google Earth photo of surrounding neighborhood



**CITY OF  
LOS ANGELES**

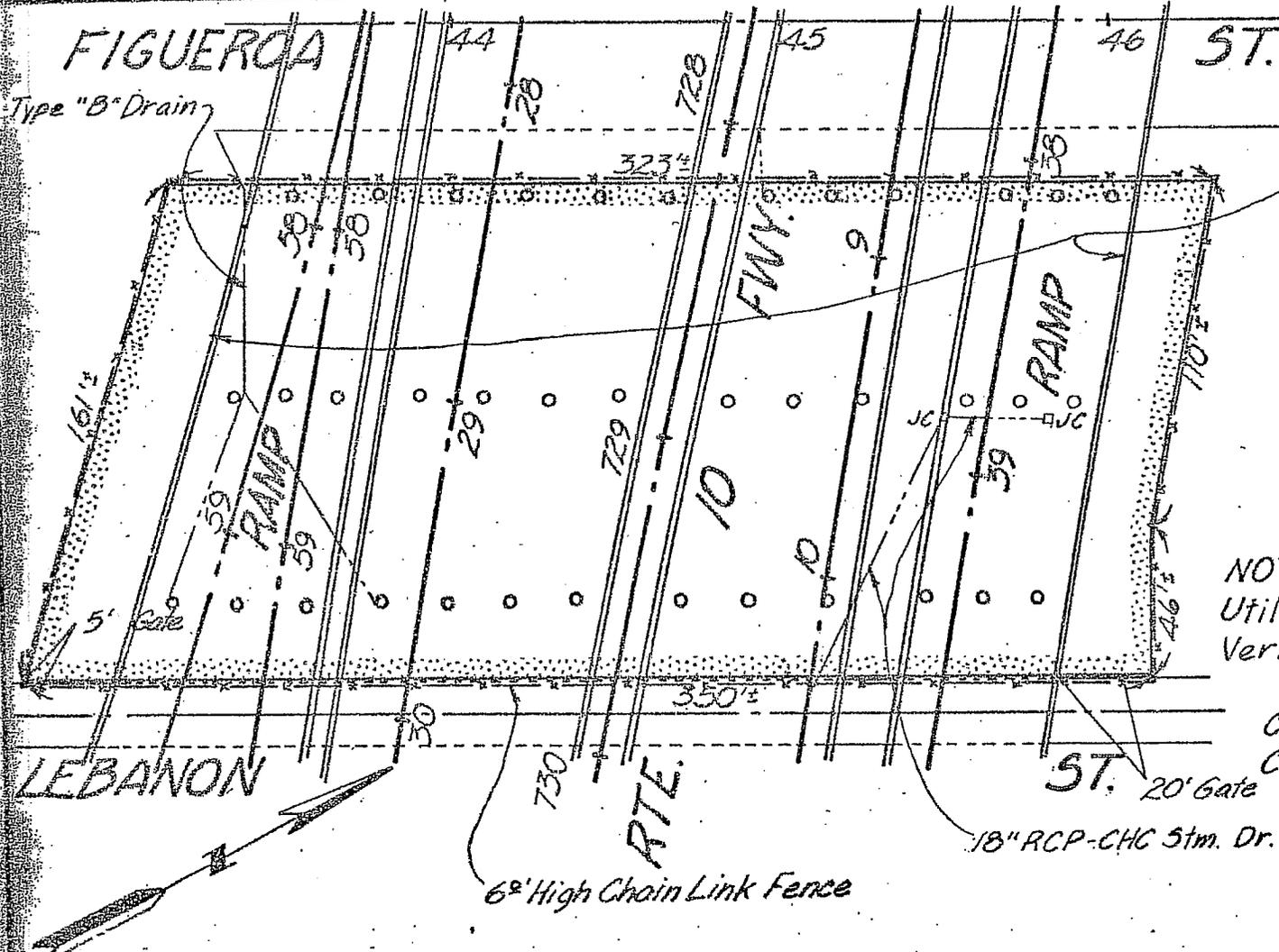
**EXHIBIT "A"**

STATE OF CALIFORNIA  
BUSINESS AND TRANSPORTATION AGENCY  
DEPARTMENT OF TRANSPORTATION  
DISTRICT 07

**FLA  
07-LA-10-49**

DRAWN BY <i>DLP</i>		DATE <i>NOV. 8, 1974</i>	
CHECKED BY		SCALE <i>1" = 600'</i>	
CO.	RTE.	P.M.	DR. NO.
<i>LA</i>	<i>10</i>	<i>150</i>	<i>25394-C</i>

DIST.	COUNTY	RTE.	P.M.
VII	L.A.	10	15.0



Edges of Structure

APPROXIMATE AREAS  
 Covered Area 43,282 Sq. Ft.  
 Clear Area 8,364 " "  
 Gross Area 51,646 " "  
 Less Columns 477 " "  
 Net Area 51,169 " "

NOTE: Complete And Accurate Utility Data Should Be Verified By The Lessee.

Columns: 4' Diameter Column  
 Clearance: 17' ±

18" RCP-CHC 5tm. Dr.

STATE OF CALIFORNIA BUSINESS AND TRANSPORTATION AGENCY DEPARTMENT OF TRANSPORTATION

EXHIBIT MAP

FREEWAY LEASE AREA 07-FLA-10-49

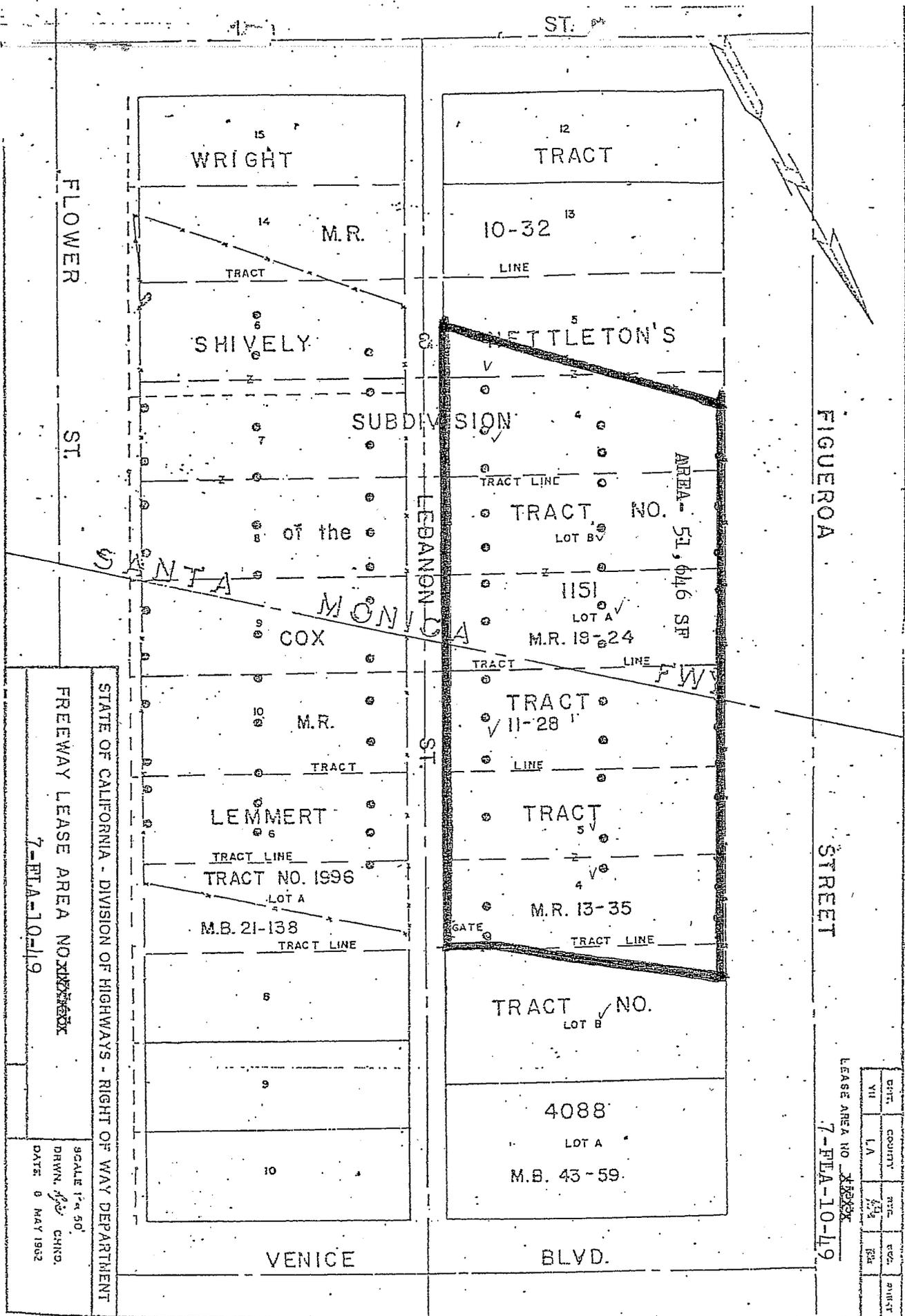
Fwy. Lease Area  
 Existing Access Control  
 DRAWN: DLP CHK'D:  
 DATE: NOV. 8, 1974  
 SCALE: 1" = 50'

EXHIBIT "B"

25394-C

Exhibit B

EXHIBIT "C"



STATE OF CALIFORNIA - DIVISION OF HIGHWAYS - RIGHT OF WAY DEPARTMENT

FREEWAY LEASE AREA NO. ~~XXXXXX~~

7-FLA-10-19

SCALE 1" = 50'

DRWN. *[Signature]* CHRG.

DATE 8 MAY 1982

FIGUEROA STREET

STREET

LEASE AREA NO. ~~XXXXXX~~

7-FLA-10-19

CHPT.	COUNTY	TRCT.	BLK.	SECT.	SUBST.
VII	LA	14	12		

EXHIBIT "C"







ANTONIO R. VILLARAIGOSA  
MAYOR

December 20, 2011

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

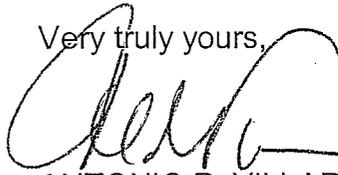
Dear Mr. Lamond:

Toyota Central, which has been in Los Angeles since 1970, has requested a longer-term extension of leases for parcels they have leased from Caltrans for more than 40 years. These extensions are requested because Toyota Central expects to significantly remodel and expand their dealership in Downtown Los Angeles. Toyota Central relies upon the Caltrans lease for the general operations of the dealership and for storage of inventory.

I, in addition to my Office of Economic and Business Policy and the Community Redevelopment Agency of the City of Los Angeles, CRA/LA, support this request and urge Caltrans to do the same.

Thank you for your attention to this matter.

Very truly yours,



ANTONIO R. VILLARAIGOSA  
Mayor

ARV:mc

Exhibit E

EXHIBIT "E"



JAN PERRY  
COUNCILWOMAN  
NINTH DISTRICT  
PRESIDENT PRO TEMPORE

City Council  
of the  
City of Los Angeles  
City Hall

ENERGY AND THE ENVIRONMENT  
CHAIR

INFORMATION TECHNOLOGY &  
GOVERNMENT AFFAIRS  
VICE-CHAIR

HOUSING, COMMUNITY &  
ECONOMIC DEVELOPMENT  
MEMBER

PUBLIC SAFETY  
MEMBER

October 3, 2011

Mr. Paul LaMond  
Department of Transportation  
Southern Right of Way Region  
100 S. Main Street, MS-6  
Los Angeles, CA 90012

Dear Mr. LaMond:

Toyota Central, which has been in Los Angeles since 1970, has requested a longer-term extension of leases for parcels they have leased for more than 40 years from Caltrans. The extensions are requested for planning purposes as Toyota Central is planning significant remodeling and expansion of the dealership. Toyota Central relies upon the Caltrans lease for storage of inventory and the general operations of the dealership. Toyota Central has always paid its rent on time and will provide Caltrans with annual CPI increases and market rate adjustments.

I strongly support this request as Toyota Central is the key dealership at the North end of downtown's "Auto Row" and is a powerful economic engine for job creation. I urge Caltrans to grant this request and thank you for your attention to this matter.

Sincerely,



Jan Perry  
Council President Pro Tempore  
District Nine

Exhibit F

EXHIBIT "F"



Community Redevelopment Agency  
of the CITY OF LOS ANGELES

DATE / October 3, 2011

FILE CODE / C99990

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

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

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

Re: Toyota Central Expansion Support

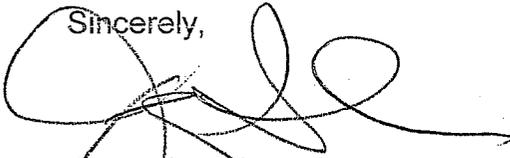
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The Community Redevelopment Agency of the City of Los Angeles strongly supports this request as Toyota Central is the key dealership anchoring the northern end of the Figueroa Corridor's "auto row" and is a powerful economic engine for Council District Eight and Council District Nine to the South. We urge Caltrans to grant this request and thank you for your attention to this matter.

If you have any questions, please contact me at (213) 922-7825

Sincerely,



Jenny Scanlin  
Acting Regional Administrator II

Exhibit G

EXHIBIT "G"

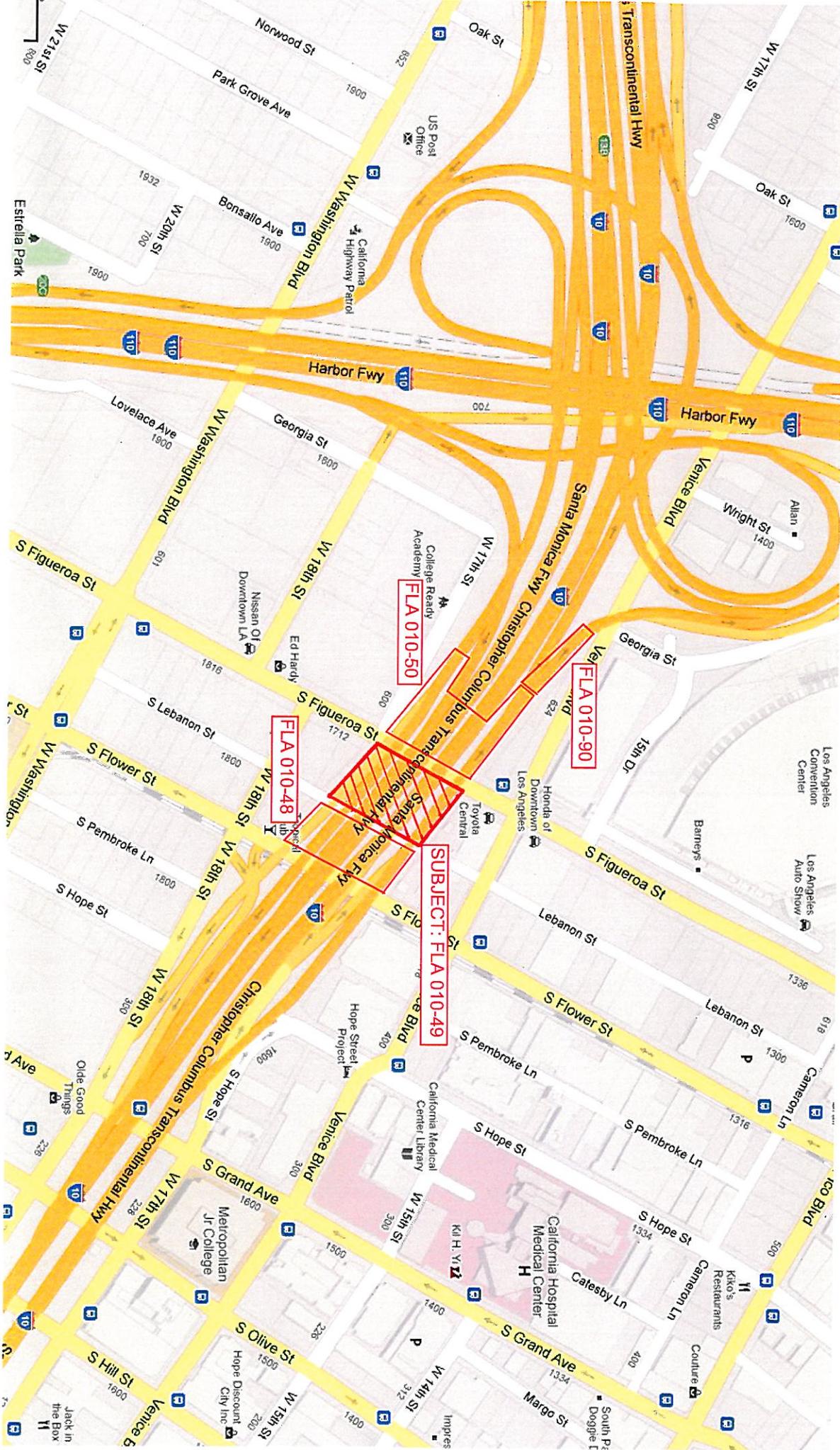


Exhibit H