

CITY OF LOS ANGELES
CALIFORNIA

Agenda Item No. 8

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GENERAL MANAGER
AND
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Richard H. Llewellyn Jr., Chair
Municipal Facilities Committee
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**MUNICIPAL FACILITIES SPACE OPTIMIZATION
PROJECT THIRD QUARTER FY 2019-20 REPORT/UPDATE**

As directed by Council and Mayor (C.F. 10-0597), the following report presents updates and changes to the Space Optimization Project (Plan) and the financial effects these changes have on the 6030 Leasing Account.

LEASING ACCOUNT STATUS

GSD is projecting year-end deficit of \$2,130,402. A summary highlighting significant lease budget variances is presented below. GSD will continue monitoring the Leasing Account and will provide updates in future Space Optimization and Financial Status Reports.

LEASING ACCOUNT SAVINGS

570 W Ave 26

Lease for an LAPD K9 unit, previously on hold-over, was terminated by the landlord in August of 2019. LAPD informed GSD in September that a replacement lease will not be needed as staff relocated to the Central Area Station. A total of \$17,425 reflects ten months rent savings from September 2019 through June 2020 at \$1,742.50 per month.

6030 Savings: \$17,425

Various Leases

Net sum of savings/increases from several leases due to normal fluctuations in utilities, HVAC, parking, and Common Area Maintenance (CAM) costs.

6030 Savings: \$84,346



LEASING ACCOUNT DEFICITS**1200 W 7th**

This deficit is primarily due to a Landlord-proposed increase in parking rate charges. The new parking rate arrangement under the Fourth Amendment to the Garland Lease became effective March 1, 2019. On February 19, 2019, the City received notification of the new Landlord-proposed parking rate for Unreserved spaces (\$244.80) and Reserved spaces (\$340). This equates an approximate projected increase of \$185,000 for Finance and \$60,000 for LAPD. The full amount is currently being paid under protest pending a resolution with the Landlord. This deficit has been partially offset due to CAM reconciliation. The increased parking charges associated with HCID and EWWD are currently being paid by their respective departments and are not reflected in GSD's reported deficit. For FY 2019-20, the approximate projected increase for HCID is \$341,000 and \$115,000 for EWDD, subject to change based on resolution of this issue with the Landlord.

6030 Deficit: (\$119,240)

1016 Mission

Industrial site lease utilized by LADOT, LAPD, GSD Fleet, and Bureau of Street Services. The existing lease expired in March of 2019. The recently negotiated replacement lease carries increased costs retroactive to April of 2019 comprised of: \$125,914 for three months of back pay for 2018-19 rents; and, \$147,800 for 2019-20 rental costs in excess of GSD's 2019-20 budgeted amount.

6030 Deficit: (\$273,714)

1050 Montecito (KIIS)

LAPD communication site. GSD is budgeted \$62,400 for 2019-20, however, the executed lease with the new owner provided payment beginning December 2018. The equipment at the site was previously on a zero rent lease with the prior owner. The back payment covers seven months' rent from December 2018 through June 2019 at a cost of \$5,200 per month.

6030 Deficit: (\$36,400)

Pending New Leases

GSD is currently unfunded for two new leases at 1201 S Mateo St (\$560,110) and 1111 S Mateo St (\$760,063), projected to be executed in January 2020. GSD is projecting a total of \$1,320,173 (General Fund) needed for six months of rent, security deposits, moving and communication expenses once executed. In addition, a total of \$482,646 (General Fund) is needed for tenant improvement at 1201 S Mateo St (\$79,304) and 1111 S Mateo St (\$403,342).

6030 Deficit: (\$1,802,819)

RECOMMENDATION

That the Municipal Facilities Committee note and file this report.

A handwritten signature in black ink, appearing to read "Tony M. Royster". The signature is written in a cursive style with a large, looping initial "T".

Tony M. Royster
General Manager

Attachment: 3rd Qtr Summary Spreadsheet

**THIRD QUARTER OPTIMIZATION REPORT AND
LEASING ACCOUNT UPDATE
FISCAL YEAR 2019-20**

Leasing Account Summary	
Approved 6030 Budget	\$15,387,874
Projected Lease Expense	\$17,518,276
Total Projected Surplus/Deficit	(\$2,130,402)
GF Surplus/(Deficit)	(\$2,130,402)
SF Surplus/Deficit	--
SF Held for Reversion	\$0

Detail				
LEASE ADDRESS	REASON	6030 BUDGET	REVISED EXPENSE	SURPLUS/ (DEFICIT)
570 W Ave 26	Lease Terminated	\$20,910	\$3,485	\$17,425
Various Leases	Net sum of fluctuating costs (CAM, Utilities, HVAC, Sundries)	\$4,056,458	\$3,972,112	\$84,346
1200 W 7th	Increased Parking Costs for LAPD & Finance at Garland	\$2,901,093	\$3,020,333	(\$119,240)
1016 Mission	Cost increase of replacement lease	\$1,320,000	\$1,593,714	(\$273,714)
1050 Montecito (KIIS)	Back payment for Dec-Jun 2019	\$62,400	\$98,800	(\$36,400)
1201 S. Mateo	Unfunded new lease	\$0	639,414.00	(\$639,414)
1111 S. Mateo	Unfunded new lease	\$0	\$1,163,405	(\$1,163,405)
Total Net Changes				(\$2,130,402)
Projected Lease Expense				\$17,518,276