

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

Agenda Item No. 7

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

February 27, 2020

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, California 90012

Attention: Armando Bencomo, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A
NEW OFFICE SPACE LEASE WITH INTERNATIONAL CHURCH OF
THE FOURSQUARE GOSPEL FOR THE HOUSING AND COMMUNITY
INVESTMENT DEPARTMENT AT 1910 W. SUNSET BOULEVARD, HOLLYWOOD**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with the International Church of the Foursquare Gospel at 1910 W. Sunset Boulevard to consolidate Housing and Community Investment Department (HCID) office space from two leased locations.

BACKGROUND

Until June 2019, HCID's Code Enforcement Division previously occupied approximately 22,249 square feet (s.f.) of office space on Wilshire Boulevard before terminating the lease in mid-November due to health and safety concerns. Approximately 100 employees were displaced to multiple satellite offices while the termination was negotiated and this alternate space identified to reunite work-groups. HCID paid \$42,273 monthly for rent and \$3,840 for parking at the Wilshire location so the lease termination created \$425,000 in savings for this fiscal year.

Additionally, HCID will also consolidate approximately 25 Systematic Code Enforcement Program employees that service the East Los Angeles community from a 2,500 s.f. satellite office at 2214 N. Broadway, and where they currently exercise a holdover lease. HCID pays \$9,973 monthly for rent/parking so the lease termination is anticipated to create one month of savings this fiscal year if the lease commences in June 2020.



HCID will occupy 19,092 s.f. of space on floors 3,4, and 7 at the new site at a monthly rental rate of \$52,885 or \$634,620 per year. The draft space plan currently depicts offices and workstations for 80 staff members and shared space for additional inspectors for an approximate total of 155 employees at this site.

HCID will be able to purchase up to 83 parking spaces at \$75 per space per month and 44 four-hour spaces at \$35 per space per month for a total cost of \$7,765. Parking spaces are split between the Sunset property and two other structures across the street. An option exists to increase the number of spaces up to 155.

HCID continues to evaluate its space requirements and may request an additional floor at this location at a future date. The owner is receptive and may have a floor available at this site in May 2020 dependent on whether the current tenant exercises an option.

TERMS AND CONDITIONS

The lease term is for ten years with one five-year option to extend at market rate at time of renewal. The lease commencement and execution date is scheduled for June 2020 based on the estimated City approval process for the lease and the construction schedule of the Tenant Improvements (TIs). The landlord is willing to start TIs in advance of execution; however, the City does not pay rent until the completion of the TIs. GSD negotiated rent abatement for months 1-5 of the term which equates to \$264,425 in rent savings.

HCID will be responsible for their proportionate share of operation, common area maintenance and property tax costs exceeding the base year 2020.

Additional terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENT

The landlord has agreed to finance and construct all three floors based on a mutually agreed space plan. Improvements are expected to include private office build-out, two public counters, interview rooms and a roll call room while the majority of each floor is planned for workstations.

A \$20,000 TI allowance is also negotiated for HCID future alterations.

MARKET ANALYSIS

Based on recent market analysis for similar type properties/uses in this area, the Fair Market Rental Rate (FMRR) ranges from approximately \$2.75 - \$4.50 per square foot (PSF).

International Church of the Foursquare Gospel proposed a rental rate of \$2.92/PSF, GSD was able to re-negotiate to \$2.77/PSF totaling approximately \$52,885 per month.

Market Rate –Office Comparisons

Address	Rental Rate	Rentable Sq. Footage	Lease Type
908-910 S Broadway	\$2.85/ PSF	19,266	Modified Gross
948 N Cahuenga Blvd	\$4.50/ PSF	27,500	NNN
1035 S Grand Ave	\$2.75/ PSF	28,000	Modified Gross
5858 Hollywood Blvd	\$4.00/ PSF	30,000	NNN
1928-2012 Hyperion Ave	\$3.80/ PSF	16,476	Undeclared

COMMUNICATION, FURNITURE AND MOVING EXPENSE

HCID will fund the furniture, communication and moving expenses. For the remodel project at its former Wilshire location, HCID purchased new furniture including 80 new workstations, private office furniture and new chairs for all staff. This furniture is being held in storage and will be utilized for this project. Furnishing the three floors at this replacement location will cost approximately an additional \$200,000 for the conference/break rooms, desks/tables and chairs for approximately 47 inspectors in the roll call room.

Moving expenses include the relocation of staff from various HCID locations, including 2215 N. Broadway, and is estimated at \$85,000.

The estimate for data premises cabling, phone and network infrastructure through the City's Information Technology Agency is \$421,000 for a total cost of \$706,000 for the estimated expenses.

COST SUMMARY

The cost of lease in 2019-2020 and 2020-2021 is shown below:

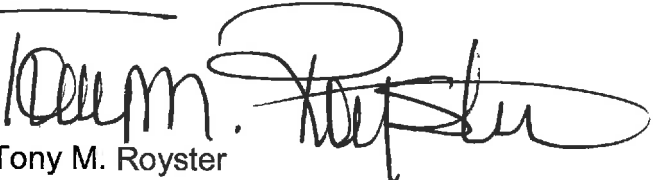
Item	FY 19-20	FY 20-21	Comments
Rent	\$0	\$424,666	FY19-20 Months 1-5 abated if rent starts June 2020. FY20-21 - 7 months base rent + 1 month 3%
CAM	\$0	\$650	In June 2021, increase on base year expenses
Parking	\$7,765	\$93,180	Anticipated one month of June 2020
TI	\$0	\$0	Landlord expense
Moving	\$85,000	\$0	First year cost only
Furniture	\$200,000	\$0	First Year cost only
IT	\$421,000	\$0	First year cost only
HCID Lease Savings	-\$425,000	\$0	Rent savings from terminating 3550 Wilshire
HCID Broadway Lease Savings	-\$9,973	\$0	Rent savings from 1 month
TOTAL	\$278,792	\$518,496	

FISCAL IMPACT

There will be no impact to the General Fund. HCID funds 100% of this lease cost through Special Fund F440001 and Code Enforcement Fund F41M001 and will fund the differential. HCID has \$425,000 in savings this fiscal year to offset the communication, furniture, moving and parking expenses.

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a new lease with the International Church of the Foursquare Gospel at 1910 W. Sunset Boulevard, Los Angeles under the terms and conditions substantially as outlined in this report.



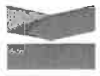
Tony M. Royster
General Manager

Attachments: Term sheet
Draft space plan

LEASING TERM SHEET

MFC DATE	02/27/2020
LANDLORD	International Church of the Foursquare Gospel
ADDRESS	1910 W Sunset Blvd, Los Angeles, CA 90026
TENANT	City of Los Angeles - Housing + Community Investment Department
ADDRESS	111 E 1st Street, Los Angeles, Suite200, CA 90012
LOCATION	1910 W Sunset Blvd, 3rd Floor, Suite 450, Suite 700, Los Angeles, CA 90026
AGREEMENT TYPE	Payable Full Service Gross Lease
USE	General Office
SQUARE FEET	19,092
TERM	10 Years
RENT START DATE	Upon completion of tenant improvements and after rent abatement
LEASE START DATE	Upon completion of tenant improvements
OPTION TERM	One (1) five (5) year renewal option
HOLDOVER	120% increase
SUBLET/ ASSIGNMENT	Right to Sublease/Assign - Landlord approval
TERMINATION	No early termination
RENTAL RATE	\$52,885 monthly, \$2.77 PSF/month
ESCALATION	3% annually
RENTAL ABATEMENT	Five (5) months, Months 1-5
ADDITIONAL RENT	Excess Property Tax and Operating Expense from 2020 base year
PROPERTY TAX	Proportionate share exceeding base year grossed-up to 95% occupied
OPEX	Proportionate share exceeding base year grossed-up to 95% occupied
CAM	Same as operating expense

OTHER	
SECURITY DEPOSIT	\$52,885
MAINTENANCE/ REPAIR	Landlord
MAINTENANCE/ REPAIR DETAILS	After Hours HVAC \$75 per hour
TENANT IMPROVEMENTS	Landlord will finance and construct premises based on mutually agreed space plans. An additional allowance up to \$20,000 will be available upon lease renewal.
PARKING	83 spaces at \$75/ space per month & 44 4-hour spaces at \$35/ space per month
UTILITIES	Included in rent
CUSTODIAL	Included in rent
SECURITY	Included in rent
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE	City shall indemnify and hold harmless Landlord
OTHER:	Landlord will maintain insurance required by risk management. The lease will allow up to 155 parking spaces.



KARDENT
Design | Planning | Management

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Los Angeles, CA 90048
310.451.9800 Phone 310.451.9333 Fax
www.kardentdesign.com

ARCHITECT:

DATE SIGNED: _____

CONSULTANT:

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REVISIONS:

NO. DATE DESCRIPTION:

1 12/11/19 REVISED PER PLANET

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PROJECT: CITY OF LOS ANGELES

1910 W. SUNSET BLVD.
SUITE 700
LOS ANGELES, CA 90026

DRAWN BY: _____ CHECKED BY: _____

SHEET TITLE: SPACE PLAN

SHEET NUMBER: SP-7.3

PROJECT: 1910 W. SUNSET BLVD.

DATE: 12/11/19

SCALE: 1/8" = 1'-0"

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