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February 27, 2020

Honorable City Council
City of Los Angeles
C/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: Armando Bencomo, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A
BRIDGE HOUSING FACILITY LEASE WITH L&R CONSTRUCTION, INC.**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with L&R Construction, Inc. (L&R), for property located at 3061 Riverside Drive for use as a temporary bridge housing facility.

BACKGROUND

On December 12, 2019, City Council adopted a motion (C.F. 19-1397) instructing City staff to evaluate and determine if this site was suitable for a use as a temporary bridge housing facility. Subsequently, the City's Homeless Coordinator requested GSD proceed with the negotiation of a five-year lease with L&R for the use of the site.

The 11,764 square foot (s.f.) industrial site in Council District 4 consists of a warehouse and office space that will be repurposed into a family facility with approximately 26 separate family units and nine communal restrooms. The City will initially lease the site for five years under this agreement for approximately \$31,000 per month with a 60-day termination clause pending the outcome of the tenant improvement estimate which will be addressed subsequently in a lease amendment. Rent would not commence until the Tenant Improvement (TI) project is complete and the Certificate of Occupancy has been signed off.

Through the Office of the City Administrative Officer (CAO), a non-profit organization familiar with shelter design (Brilliant Corners) will be hired to develop architectural and

construction drawings within 30-45 days of a fully executed lease by both parties. The landlord will then bid the project out and a subsequent amendment to this lease will be brought to the Municipal Facilities Committee and City Council for the TI project, including costs and funding sources for the renovations. The landlord will construct the TI's to the City's plans and the Bureau of Engineering (BOE) will provide project management oversight assistance to GSD in reviewing the plans, any change orders, requests for information and project payment progress and invoicing.

The landlord would not hold this site for the City without an executed lease agreement and is amenable to the City's approach of an amendment to the lease once construction costs for the TI project are solidified via the bid process.

TERMS AND CONDITIONS

The City has built-in several termination rights in case the City and the landlord cannot agree to a final construction price based on the bids that are received. During the pre-Certificate of Occupancy period either party may terminate if certain milestones are not met. Post Certificate of Occupancy, the City may terminate after month 48 with a termination fee equal to \$93,000 based on funding considerations.

The five-year lease includes a holdover option, on a conditional month-to-month basis at the then current rental rate, along with a one five-year renewal option. A complete set of terms and conditions are outlined on the attached term sheet.

SHELTER SERVICES

People Assisting the Homeless (PATH) has been proposed as the non-profit provider to operate this site and a separate report on their shelter services will be brought to the Municipal Facilities Committee in next several months for review and approval.

ENVIRONMENTAL

A Notice of Exemption (NOE) is currently under review by BOE and a NOE will be brought to City Council for approval.

COMMUNITY BENEFIT ANALYSIS

Inasmuch as 'A Bridge Home' is a City program formed to facilitate temporary housing and social services for homeless individuals, the proposed lease, being necessary for implementation of the subject 'A Bridge Home' project, does not require further analysis of community benefits in support of the lease.

FUNDING

On December 13, 2019, the Mayor and City Council acted to reserve \$3,450,000 from the State Homeless Housing and Prevention (HHAP) grant for the tenant improvements and leasing costs for this site.

The City Homeless Coordinator is working with Brilliant Corners to identify the final tenant improvement costs and will coordinate with Council District 4 to identify any remaining funding needed. The funding needed to operate upon opening will be from existing Measure H funded family service agreements.

FISCAL IMPACT

There is no impact to the General Fund. Initial project funding of the lease rental costs is approximately \$1.9 million for the initial term in the form of a Reserve Fund loan, to be repaid by the Homeless Housing Assistance Program (HHAP), pending City Council approval for the project. Construction costs for the project are yet to be finalized. However, the CAO has determined that the project will be allocated an up to budget not to exceed \$5 million, also pending City Council approval.

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 lease with L&R Construction, Inc. at 3061 Riverside Drive for use as a temporary bridge housing facility under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachment: Term sheet

LEASING TERM SHEET

MFC DATE

LANDLORD

ADDRESS

TENANT

ADDRESS

LOCATION

AGREEMENT TYPE

USE

SQUARE FEET

TERM

RENT START DATE

LEASE START DATE

OPTION TERM

HOLDOVER

SUBLET/
ASSIGNMENT 

TERMINATION

RENTAL RATE

ESCALATION

RENTAL ABATEMENT

ADDITIONAL RENT

PROPERTY TAX

OPEX

CAM

OTHER	
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Landlord
MAINTENANCE/ REPAIR DETAILS	Tenant shall maintain the premises excluding major Building Systems except issues caused by Tenant's Use. Landlord shall be responsible for major Building Systems along with all Structural Components - roof, foundation, exterior walls.
TENANT IMPROVEMENTS	Landlord shall build out the premises per a plan subject to City's approvals at approximately \$5 million dollars including soft and hard costs. 80% of those costs shall be paid by progress payments to be further defined. 20% of total costs shall be amortized over the initial lease term.
PARKING	Included, as available on the property
UTILITIES	City shall be responsible for utilities
CUSTODIAL	City shall be responsible for all custodial costs
SECURITY	City shall provide security of the premises
PROP 13 PROTECTION	Landlord will provide Prop 13 protection.
INSURANCE	City shall indemnify and hold harmless Landlord
OTHER:	<p>Termination Right</p> <p>Pre C of O:</p> <ul style="list-style-type: none"> -60 days from City Clerk attestation of the Lease Signature City will provide full set of Construction Drawings for Bids - confirming with architect on current status -90 days from City Clerk attestation of the Lease to finalize pricing based on Construction Drawings -180 days from City Clerk attestation of the Lease to commence construction -180 days from Construction Commencement Date to final issuance of C of O <p>Post C of O:</p> <p>Right to terminate after month 48 with a termination fee equal to \$93,000.</p>