

CITY OF LOS ANGELES
CALIFORNIA

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September 24, 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 AMEND THE LEASE AGREEMENT WITH
ALBERT & ELAINE BORCHARD FOUNDATION AND
THE LOS ANGELES DEPARTMENT OF TRANSPORTATION (LADOT)**

On behalf of the Los Angeles Department of Transportation (LADOT), GSD requests authority to amend a lease agreement with the Albert and Elaine Borchard Foundation for a privately-owned industrial warehouse and office facility located at 1111 South Mateo Street (CD 14) for yards and shops use.

BACKGROUND

On November 27, 2019 the City Council adopted a report from the Municipal Facilities Committee approving the lease (CF 19-1359) at this location along with an adjacent leased site at 1201 S. Mateo Street. These leases will allow for the relocation of yards and shop functions from three facilities – 1) Avenue 19 pending private development 2) 430 E. Commercial Street pending conversion to accommodate 14 additional buses and charging stations and 411 N. Vermont – partial staff relocation due to structural remediation required.

The lease for 1201 Mateo was executed on March 20, 2020 (CF19-1360) with a ten-year term. At the drafting of this report, the 1111 Mateo lease is close to execution. The original report for 1111 Mateo outlined it would accommodate the Mark Out & Striping (38 employees) and Temporary Sign Divisions (27 employees) from the Avenue 19 location and further evaluate relocation of staff and vehicles from the 411 Vermont location.



After numerous revisions to the space plan for both sites, LADOT has determined the following:

- The Temporary Sign Division is now relocated to 1201 Mateo as there was insufficient parking for vehicles used by the Mark Out & Striping Division, including: nine long striping CNG vehicles, six pre-melter vehicles and two short strippers.
- There are now 43 employees relocating from Mark Out & Striping.
- An additional \$1.2 in Tenant Improvement (TI) items are requested to facilitate this division's operational needs as outlined in this report.
- Approximately 4000 square feet (SF) of unused space remains at the warehouse to accommodate a group to be determined at a future date.

The landlord has fulfilled the "warm shell" requirements outlined in the original MFC report and removed refrigeration equipment, installed new lighting, painted and carpeted existing offices and seal coated and striped the parking lot.

TENANT IMPROVEMENT CHANGES

The original scope of work involved constructing a conference room, communications room, kitchen break area, and a graded ramp to allow vehicle ingress and egress into the structure. The cost was estimated to be \$403,342.

LADOT requested an additional scope of TIs for operational purposes as outlined below for a total new estimated cost of \$1,595,564. The landlord's contractor will perform these TIs and will not proceed with activities beyond the initial scope until the amendment is approved by City Council and executed. Construction is estimated to take 14 weeks

The landlord agreed to provide \$259,333 in rent abatement to assist with the expanded TI costs, \$172,555 of which will be credited during 2020-21. However, if the City does not exceed a \$500,000 expenditure for TIs, the rent abatement is rescinded.

Tenant Improvement Items	Cost	Tenant Improvement Items	Cost
(2) Canopies for CNG vehicles	\$206,292	Interior build out	\$451,281
Interior design change orders	\$ 56,797	(2) Security Guards 24/7 - 4 weeks	\$ 30,920
New 10' Exterior privacy fence	\$175,277	Fire Sprinkler upgrade	\$ 36,025
Exterior LED Flood lights	\$ 31,015	Plumbing	\$ 92,500
New concrete ramp	\$ 39,233	HVAC	\$ 60,800
Permits & Project Mgr. fees	\$ 91,329	Electrical	\$ 94,120
Architectural fees	\$144,975	Contingency	\$ 85,000
Sub-total =	\$744,918	Sub-total =	\$ 850,646
		Grand Total =	\$1,595,564

The primary changes to the original scope include additional security measures, such as a new 10-foot barb-wired perimeter fence with a privacy screen and motorized sliding keypad entry (\$175,277) and six large exterior-mounted floodlights and three pole mounted floodlights (\$30,920) as the facility is operated off-peak from 11 pm on for the night shift.

Canopies will be installed to cover and secure several large City vehicles which cannot be driven up the ramp into the warehouse, including the CNG vehicles mentioned above (\$206,292).

TERMS AND CONDITIONS

The current lease term is ten years with no option to extend. Given the City's expanded investment in Tis, an additional five-year option to renew at market rate was negotiated and if approved, will be included in the amendment to the lease. The City also has a First Right of Offer should it choose to purchase the building if it is offered for sale. All other terms and conditions remain the same.

As indicated in the original MFC report, rent commences 120 days upon execution. The first phase of the project is expected to be completed within eight weeks, including premises cabling. The remaining items will commence upon Council approval and execution of the amendment for increased TI costs.

FISCAL IMPACT

The Leasing Account was funded \$1,042,532 for the full year of rent at 1111 S. Mateo, however, the lease is expected to be executed in September with rent to commence in January resulting in a reduced cost of \$518,672. Additional rent savings of \$172,555 during 2020-21 is realized through negotiated rent abatement. Estimated costs currently total \$2,322,181 as detailed in the table below leaving a deficit of \$1,106,762. Utilities cannot be estimated at this time. If necessary, GSD will report back on additional funding needs after all costs are known.

FY 20-21 Funding – LADOT - 1111 S. Mateo Street						
Line Item Costs	Original Estimated Costs	(6) Months Rent Dec-Jun	One-Time Costs	2020-21 Estimated Expense	2020-21 Available Funding	2020-21 Estimated Funding Balance
Rent	\$ 1,042,531	\$518,672		\$518,672	\$1,042,531	
Tenant Improvement	\$403,342		Phase 1 Hard costs \$455,117 Phase II Hard costs \$1,140,447	\$1,595,564		
Utility	TBD	TBD		TBD		
Security Deposit			\$ 86,445	\$ 86,445		
Relocate Shelving			\$ 28,000	\$ 28,000		
CSR			\$ 68,000	\$ 68,000		
Moving			\$ 25,500	\$ 25,500		
Rent Abatement						
TOTAL	\$ 1,445,873	\$518,672	\$ 1,803,509	\$2,322,181	\$1,215,419	(\$1,106,762)

The CAO has indicated that the \$1,106,762 funding will be comprised of multiple sources including Special Fund cost recovery, potential lease savings, residual funds for completed capital

projects, and other offsets such as funding exchanges with previously funded projects that are jointly funded by MICLA and the General Fund.

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute an Amendment with Albert and Elaine Borchard Foundation for the property located at 1111 S. Mateo Street, Los Angeles, CA 90021 for an LADOT warehouse space under the terms and conditions substantially outlined in this report.

A handwritten signature in black ink, appearing to read "Tony M. Royster". The signature is written in a cursive style with a horizontal line extending to the left from the start of the name.

Tony M. Royster
General Manager