

MUNICIPAL FACILITIES COMMITTEE
Minutes from the Regular Meeting of September 24, 2020

MEMBERS: Yolanda Chavez, City Administrative Officer, Chair (CAO)
Matias Farfan, Office of the Chief Legislative Analyst (CLA)
Kiana Taheri, Office of the Mayor (Mayor)

The meeting was called to order at 10:00 a.m.

No General Public Comment.

Item 1 Minutes of the August 27, 2020 meeting.

Disposition: Approved without discussion.

Item 2 Report from the Department of General Services (GSD) and request for authorization to amend a lease agreement on behalf of the Los Angeles Department of Transportation (LADOT) with the Albert and Elaine Borchard Foundation for a privately-owned industrial warehouse and office facility located at 1111 South Mateo Street (CD 14), subject to Council approval.

Disposition: Approved.

Sharon Tso, the City Legislative Analyst (CLA), asked if it was originally intended that the Temporary Sign Division be relocated to 1111 Mateo. Paul Burke, from the General Services Department (GSD), stated yes. Initially, Mark-Out/Striping and Temporary Sign Divisions were to relocate to 1111 Mateo.

Ms. Tso asked if that is the reason for the high tenant improvement (TI) costs. Mr. Burke stated that the cost escalation was being driven by parking considerations. Initially, the plan was to park most of the vehicles inside the building. The Department of Transportation (DOT) has a large number of Compressed Natural Gas (CNG) fueled equipment, nine Long Line Stripers (42 feet in length) and six Paint Stripers (36 feet in length). The vehicles cannot park inside the building and must remain outside, which results in added cost to construct canopies outside for the vehicles. This also eliminated the option to co-locate DOT's Temporary Sign Division due to insufficient parking remaining at the 1111 Mateo site, which prompted reassigning this Division to a second DOT leased facility located at 1201 Mateo Street.

Ms. Tso stated that she understood Temporary Signage was originally proposed for relocation to the 1111 Mateo, but asked for clarification for Mark-Out/Striping. In the MFC report, Mark-Out/Striping is relocating to 1111 Mateo, which is the underlying reason for the large

increase in TI costs. Ms. Tso asked on what basis the determination was made that the Temporary Sign would not relocate to 1111 Mateo and Mark-Out/Striping would relocate to 1111 Mateo. Melody McCormick, GSD, stated that as part of the original MFC report both groups were identified for relocation to 1111 Mateo. After extensive space planning for both Mateo sites, there was insufficient space for Temporary Sign at 1111 Mateo so they relocated to 1201 Mateo. The reason for the TI increase for Mark-Out/Striping was that during space planning DOT for operational reasons requested the items in the report. Specifically, the security improvements are for the vehicles and employees, who work late throughout the night and early morning.

Ms. Tso asked why this additional TI scope wasn't incorporated in the original MFC report. Ms. McCormick stated that only the items brought to GSD's attention at that time were included in the original MFC report. As GSD and DOT went through the space planning process, DOT continued to evaluate their occupancy of the space and the additional items were brought to GSD's attention. The additional items increased the TI scope from what was reported in the original MFC report. Due to the significant increase in the TI costs, the Office of the City Attorney confirmed the need to obtain MFC approval on the revised budget.

Ms. Tso stated that it was very troubling that MFC was not notified when the original lease was approved that there would be additional TI costs, and that if the full costs were known at the time MFC may not have approved moving forward with the lease.

Mr. Burke added additional clarification relative to the unique needs of the Mark-Out/Striping Division. The work hours are from 11 pm to 2 pm. The area is an industrial commercial zone and can be desolate at night and early morning. A major concern is security. The site needs a 10-foot tall privacy fencing at a cost of \$175,000 to secure the vehicles. There is a concern of theft and damage to the equipment and vehicles. The site needs two canopies at a cost of \$206,000 to cover and protect the vehicles and keep them close to the building. The building is 53,000 square feet with additional exterior space. A new ramp at a cost of \$40,000 will be built for the gas operated vehicles. Due to the employees working at night, there is a need for new special LED floodlights at a cost of \$30,000. These items were not anticipated when the lease was approved by MFC and they were not included in the initial cost estimate.

Ms. Tso clarified that the question was not whether the costs for the additional scope are appropriate. Rather the issue is whether MFC would have approved the lease or considered alternative sites if the full cost of the required site improvements had been reported to MFC at the time the original lease terms were considered.

Ms. McCormick confirmed that she understands and shares the same concern regarding the high TI costs. During the space planning, DOT requested these items subsequent to MFC approval of the original report. GSD would have included these additional TI costs as part of the original report if they had been aware of the needs at the time.

Ms. Tso asked DOT if they were aware of the additional TI scope and costs when the lease was approved. Angela Berumen, DOT, did not know why the original estimate did not include more of the scope needed to occupy the space. She apologized for not having the answer and indicated she would research these issues and report back.

Ms. Tso expressed to the MFC Chair that there have been a lot of DOT requests with unfunded costs. Ms. Tso indicated she was very troubled by quite a few DOT projects that have recently been approved and that this DOT lease is yet another concern. Further, that MFC needs to receive all the relevant information at the same time and does not know how to address DOT's needs and MFC not getting the information all at one time. How will the additional TI costs be covered and what are the funding sources.

Bernyce Hollins, CAO, stated that there is a second item on the agenda, the quarterly leasing report, which provides a funding itemization of three DOT leases, including 1111 Mateo. The projected shortfall will be addressed by utilizing a funding exchange between existing CIEP General Fund and MICLA capital authority that would be transferred through the Second Construction Projects Report, subject to Council and Mayor approval. Ms. Hollins clarified that while there is existing MICLA capacity to pay the TI costs, as a leased facility this would not be a good use of debt funds.

Ms. Tso asked if this would be General Fund monies. Ms. Hollins stated yes. It is a funding exchange between the General Fund and MICLA funds.

Ms. Tso stated that MICLA is also General Fund monies. Ms. Hollins clarified that she was intending to make the distinction that debt funds (MICLA monies) would not be used.

Ms. Tso asked DOT if they have any Special Funds available to offset the TI costs. Ms. Hollins stated that per the prior MFC instructions to pursue cost recovery, staff had initiated these discussions but could not proceed without a property appraisal that was only recently completed. Ms. Hollins confirmed that staff now had the ability to resume discussion for potential cost recovery. However, Ms. Hollins cautioned that there would likely be capacity issues due to competing needs and limited availability of funding. Ms. Hollins confirmed that staff would provide a formal report to MFC on the matter. Ms. Tso apologized to the MFC chair for the length of time being spent on discussing this item.

Yolanda Chavez, CAO, indicated similar concerns over this item and asked the Mayor's Office for their comments.

Kiana Taheri, Office of the Mayor, also expressed concerns over this item and asked about security and operational needs, which have not changed and should have been anticipated. Specifically, Ms. Taheri asked if there is any funding that could be transferred from the 1201 Mateo facility to the 1111 Mateo site. Also, whether there any savings for not moving the Division to 1201 Mateo. Ms. McCormick stated the relocation of Temporary Sign to 1201 Mateo created a cost impact there. However, the report focus is on the Mark-Out/Striping. The reason for the increased TI costs is that the requirements for DOT increased after the fact. The \$400,000 in TI costs in the original report still exists. What is driving up the costs for 1111 Mateo are the TI increases at this particular site. There are no savings at the 1201 Mateo site to be transferred over to 1111 Mateo. 1201 Mateo is absorbing the Temporary Sign Division. GSD did approximately seven different versions of space planning with DOT for the project. Ultimately, it was determined that Temporary Sign could not fit so they were relocated to 1201 Mateo.

Ms. Taheri asked if the relocation is not the reason for the increased costs. Ms. McCormick stated that is correct. The Mark-Out/Striping costs increased because of their increased requirements, such as fencing, lighting, and security improvements. These items were brought to GSD after the original TI report was approved.

Ms. Taheri asked why the TI costs were not anticipated when the first report was brought to MFC. Ms. Berumen stated that she does not have the information on the timeline of what the initial cost estimates included and when DOT was brought into the more detailed conversation for space planning. DOT's intention was not to provide any late estimates or information. She apologized on behalf of DOT for this impression. Ms. Berumen clarified that DOT had not initiated this relocation but was being required to move because the original facility was being repurposed for another use. Further that DOT was working diligently with CAO and GSD to control costs to only the most critical needs required to accommodate DOT operations with the right amenities to effectively conduct its operations.

Ms. Hollins provided additional background, that at the time the initial space planning for the Mateo sites were conducted, the third DOT leasing option (888 Vermont Avenue) was not yet under consideration and later prompted changes to the Mateo occupancy plans to remove DOT work units that could be better accommodated at the Vermont site. These adjustments resulted in significant time delays to adjust the space plans and obtain a new cost estimate. The process was very dynamic since it involved space planning for three sites simultaneously. These factors caused considerable delay in reaching a final resolution on the budget and occupancy plans.

Ms. Taheri asked for an explanation of how the 888 Vermont lease decision affected the 1111 Mateo lease. Ms. Hollins stated that the existing 411 Vermont facility had pervasive structural issues and there was a significant difficulty in identifying lease sites within DOT's Hollywood service area. As a result, the City team worked to identify DOT work units assigned to the current City owned facility at 411 Vermont, which did not actually need to remain in the Hollywood area. Those units were initially included as part of the 1111 Mateo space plan. However, the decision to remove these work units from the Mateo space plan when the City 888 Vermont lease opportunity arose. Then once the 888 Vermont occupancy plan was finalized, the City team was then able to revisit and finalize the 1111 Mateo occupancy plans.

Ms. Taheri asked about the unoccupied space at the Mateo site. Ms. McCormick confirmed there is 4,000 square feet of space that is still available for programming and that GSD is working with DOT and CAO to identify suitable functions to occupy the remaining space.

Ms. Taheri asked whether there were any opportunities to relocate Special Fund operations that could assist with offsets for the TI costs. Ms. Hollins confirmed that other displaced yards and shops operations were also considered for the facility. In particular, the replacement project for the displaced BSS yard that was formally cancelled by a recent Council action. However, alternative options were not feasible due to the limited parking capacity. Further, the majority of the yards and shops operations that are in need of space are General Funded operations, including DOT, with the exception of DOT operations associated with the Commercial Street facility that is being vacated to enable DOT to expand its adjacent bus yard facility. Ms. Hollins clarified that some additional capacity was being retained as part of the funding exchange previously discussed and that the team was working to achieve full

occupancy in order for the City to receive full benefits for the investment in this facility. The funding reserve is based on a rough order of magnitude, as GSD and DOT worked to evaluate the details needed to provide a better estimate of costs and that the intent was to provide the Phase 3 occupancy plan update to MFC within the next few months.

Ms. Taheri asked what is the timeline for this decision, what are the available options and does MFC need to make a decision at this time or could the matter be addressed through a report back to MFC. Ms. McCormick stated that the lease is executed. It has been a City priority to relocate the DOT operations given the conditions and nature of the facilities that DOT is moving out of. Phase one construction is starting. We cannot proceed with phase two until the amendment is approved by Council. If there is delay on this report, there will be an interruption in the TI project. DOT could not relocate until the phase two improvements are in place. The schedule for TI construction is 14 weeks (mid-January 2021). In accordance with the original lease, the City will start paying rent 120 days from lease execution (January 2021). GSD recommendation to keep the project on track is to get the amendment to Council and approved by mid-October. GSD in consultation with the CAO will return to MFC for approval of funding and a space assignment for the remaining 4,000 square feet of space.

Ms. Taheri asked about other options because it places MFC in a difficult position when they receive a report that adds costs and there are no other options. She asked for more information about the tenant improvements in terms of what is necessary. Ms. Hollins stated that prior to bringing these leases to MFC, the City went through an extensive multi-year process of evaluating options at City-owned facilities, which included an extensive survey of all the City's existing yards and shops facilities. The results of this survey indicated overcrowding and insufficient capacity to relocate DOT operations to existing City yards and shops facilities. Piper Tech was considered at one point as the most feasible option. However, the DOT vehicles could not access parking at Piper Tech because the vehicle were too large and heavy to access the parking ramp. Leased facilities were only considered as an option for DOT after a three-year evaluation of options at City facilities. The Mateo sites offered the best option available for leased sites. Ms. Hollins provided additional clarifications on three areas of impact that would result from not moving forward with the leases. First, the ability to vacate the Commercial Street property to allow DOT to expand their adjacent bus yard. Secondly the ability to vacate the Avenue 19 site to allow a private development to move forward. The third area of concern is that the City has tied up the leased property that was taken off the market since January 2020. During that time, the property owner has not received any compensation. GSD has done a lot of negotiations in the background to keep the owner engaged.

Ms. McCormick confirmed again that the lease is executed and the City is contractually obligated to lease the site over the next 10 years. However, whether or not the City has the ability to fully occupy the site is subject to approval of the funding for the additional TI expenses. The lease was executed in September 2020 and the City will be required to pay rent 120 days from execution, as per the terms approved by MFC and Council. This space was needed due to the urgency to relocate DOT out of the other facilities. The City is not in the position to back out of the lease because it is executed. The City is in a position to decide whether or not we want to move forward with the additional TI items that are included in the report. DOT states the TIs are required for operational purposes. GSD confirmed that the

Department would report to MFC on options to occupy the remaining 4,000 square feet as part of phase three.

Ms. Hollins stated that CAO would also assist in developing the phase three occupancy options. However, based on preliminary analysis parking will continue to present a challenge since any other City operation would require a reasonable amount of dedicated parking. Effectively any external operations will likely reduce the parking that DOT requires to accommodate its operations. Ms. Hollins confirmed that the report back would present occupancy options and any potential for Special Fund contributions or other funding offsets.

Ms. Chavez stated that we could move forward with the report and request a report back. Everybody is a little frustrated with the cost increase. In the future, we will make it clear to DOT that we will not approve items unless we have all cost information upfront. We do recognize how difficult it is to locate suitable sites. One reason that we try to push back when we get additional requests to repurpose yards and shops sites is because we do not have the space we need for these operations. I want to ask for the Mayor's help with pushing back because we continue to get Council requests to repurpose yards and shops sites for other purposes. It is difficult and costly to find alternate spaces to lease for the displaced yards and shops functions. Ms. Chavez asked the other members if there was a motion for this item.

Ms. Taheri asked to move the item with a report back in which DOT identifies any other savings to pay this cost from their other efforts or other locations.

Ms. Tso asked if the Chair and Mayor's office is approving the GSD report recommendations with report backs on the additional TI costs, options for the unused spaces and alternate sources of funds to offset additional costs. Ms. Taheri added if we can get TI information, whether any of the TIs are necessary and if there are other options for the TI scope.

Ms. Tso agreed and asked to clarify that MFC approval of the item does not necessarily mean that all the TI work must be carried out. Ms. McCormick stated that the list of TIs in the report are required by DOT. GSD had gone through the exercise with DOT to determine which items are mandatory and which items can be eliminated. DOT has stated that they absolutely needed these items included in the report in order to make the space operational and secure. GSD is representing what their client DOT has communicated what they need. We will come back to MFC once we get the actual construction bids, but the TI improvements have already been vetted.

Ms. Tso asked that DOT be asked to report and evaluate again for MFC to determine if all of the TIs are necessary, if any TI can be deferred or minimized to reduce the additional costs.

Ms. Hollins stated that the next MFC meeting will be in early November. She suggested to MFC that we can have a meeting with staff to review the full TI list in order to provide input and have the formal report back in November. Annette Bogna, from the Office of the City Attorney, stated that the request before MFC is to execute an amendment to the contract, which would then put in place the TI improvements. If MFC moves forward, then MFC is amending the contract and authorizing the itemized Phase 2 improvements.

Ms. Hollins, asked for confirmation whether the Committee's approval would actually authorizing an "up to" funding limit for the improvements, noting that most City projects involve

the need and ability to alter the scope through change orders. Ms. Hollins noted that the City should have control over this since GSD was performing the work, however, clarification was provided that GSD was performing the construction at the 1201 Mateo site and not at the 1111 Mateo site under discussion. Ms. Hollins thanked the Office of the City Attorney and GSD for the correction.

However, Ms. McCormick confirmed that when GSD engages in a TI construction project, there is a possibility for change orders. If DOT decides we do not need a certain scope of work, such as fencing, then GSD can always drop fencing from the scope of work. GSD has vetted these requirements with DOT. Given their concern with security, DOT has been very clear that they need these TI improvements. GSD does not believe that they are unreasonable. If DOT had asked for private offices that are not allowed, GSD would not have even considered recommending the requests. GSD has only recommended improvements through the current report for items that DOT believes that they need to be operational.

Ms. Chavez asked DOT to reconfirm the TI information before this item is considered by Council. Ms. Berumen confirmed that DOT did work with GSD for a very long time to develop a list with the bare minimum number of items needed for the site to be operational. The largest item on this list involves the canopies which are required. We cannot bring the CNG vehicles indoors to park. They have rubber hoses with thermoplastic that corrodes under the sun. The vehicles cost \$700,000 to \$900,000 and need to be protected in order to save the City replacement costs. The privacy fences ensure that the vehicles are not vandalized. The rest of the items are incidentals, such as ADA upgrades. The ramp is needed to get the vehicles to the thermal plastic. The amenities described reflect basic DOT yards and shops operational needs.

Ms. Chavez asked if the MFC wants to proceed with the motion, without the TI report back, but include a report back on what other funding options are available to offset these costs.

Ms. Taheri asked if it is possible to approve a subset of the TIs and consider additional TIs through a report back, with any added scope addressed through a second lease amendment. Ms. McCormick stated that the landlord has engaged a contractor. It is highly unusual in a warehouse commercial deal for the landlord to provide Tis in the first place. Unlike an office deal where it is standard in the market that the landlord provides a TI allowance and implement the improvements themselves. For warehouse properties, the tenant improvements are usually the responsibility of the tenant. It would be very time consuming and difficult for the City to go out to contract. The landlord has a contractor who will begin phase one immediately. If we do not proceed with phase two, which is the completion of the remaining Tis, this would be extremely problematic. First, the DOT operation cannot move into the site and the City will pay for space that we are not using. Second, it delays the TI project. The contractor will be asked to stop in the middle of the work. This is very disruptive to a construction project. The contractor may go away and not come back. It is highly unlikely that the landlord will want to proceed and any remaining improvements would likely become the City's responsibility. The City will then need to go out to bid for a contractor to do the work. This will create a myriad of problems. After receiving this clarification, Ms. Taheri withdrew her suggestion.

Ms. Tso stated that she will second the original motion from the Mayor's office to approve the GSD report with all of the additional report backs with the exception of the last report back which was withdrawn by the Mayor's office. Ms. Tso stated but bear in mind I am doing this very reluctantly. I am not happy with this situation. There is going to be increased focus on all these DOT leases. I am not going to look very positively on any additional requests for additional scope changes on any of these other properties where additional relocations are going to be taking place. The Committee subsequent voted and approved the item.

Item 3 Reconsideration of a lease agreement between the City and the Mural Conservancy of Los Angeles (MCLA), a non-profit organization, for the use of vacant space located at 260 South Main Street (CD 14):

- a. Report from GSD and request for authorization to amend the lease agreement, subject to Council approval; and,
- b. Note and file communication from the Office of the City Administrative Officer (CAO) relative to an updated Community Benefits Analysis.

Disposition: Approve GSD report as amended and Note and File accompanying CAO Staff Memo.

Jonathan Quan from GSD clarified that the lease has not yet been executed and the CIEP funds have been already utilized. Yolanda Chavez from CAO asked if no additional funding would be required and Mr. Quan confirmed. Mr. Quan requested to update the agenda language as follows:

Report from GSD and request for authorization to negotiate and execute an amendment to prior lease authorization with the Mural Conservancy of Los Angeles.

Item 4 Quarterly report from the CAO on the status of the Citywide leasing account.

Disposition: Note and File.

Sharon Tso from CLA asked to clarify if the current year projection of closing with a net zero total contemplates the decision made for Item 2 (DOT 1111 Mateo lease). Bernyce Hollins from CAO confirmed that there is a \$2.2 million placeholder in Attachment C to offset for the three Department of Transportation (DOT) leasing net shortfalls identified at this time but there are still pending factors, including the use of \$1.9 million tenant credit for 888 Vermont property and the final tenant improvement (TI) costs. Ms. Hollins indicated that subsequent updates on DOT TI estimates, pending lease negotiation with the Port of Los Angeles, and the Finance Contact Center replacement lease will be provided in future quarterly status

reports. Depending on those outcomes, decisions can be made whether or not any of the funding reserves can be used for other budget-balancing purposes.

Item 5 Report from GSD and request to declare a property located at 8630 La Tuna Canyon Road, APN 2401-022-901 (CD 07), “Exempt Surplus Land” under AB 1486 and in accordance with the Own a Piece of LA (OPLA) program, based on City's findings and find and determine that the property is no longer required for use by the City and that the public interest is best served by its disposal.

Disposition: Approved without discussion.

Item 6 Report from GSD and request to declare a property located at 3971-3979 South Flower Drive, APNs 5037-032-900 and 901 (CD 09) “Exempt Surplus Land” under AB 1486 based on City's findings and find and determine that the property is no longer required for use by the City and that the public interest is best served by its disposal, subject to Council approval. from GSD and request to enter into a non-profit agreement with Brillante Watts, sponsored by UCLA Luskin's Watts Leadership Institute, for activation of an Adopt-a-Lot location at 1631 East 110th Street (CD 15).

Disposition: Approved without discussion.

Item 7 Report from the Department of Public Works Bureau of Engineering (BOE) and request to proceed with the design for capital repairs and rehabilitation to the Old Washington Irving (Arlington) Library project located at 1803 South Arlington Avenue (CD 10), subject to Council approval.

Disposition: Continued.

The meeting adjourned at 10:49 am.