

FORM GEN. 160

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: February 22, 2021

To: The Municipal Facilities Committee

From: Lisa Johnson-Smith, CAO Staff *Lisa Johnson Smith*

Subject: **COST RECOVERY FROM THE LOS ANGELES DEPARTMENT OF
TRANSPORTATION FOR RELOCATION COSTS FOR THE EQUIPMENT
REPAIR SHOP LOCATED AT 430 E. COMMERCIAL STREET**

RECOMMENDATIONS

The Municipal Facilities Committee approve and authorize staff to transmit the following recommendations for consideration by City Council, subject to the approval of the Mayor:

1. Authorize the Controller to transfer \$779,748 from Fiscal Year 2020-21 Los Angeles Department of Transportation's (LADOT) Proposition A Fund No. 385, Department No. 94, Account No. 94T399 to the General Services Department Fund No. 100, Department No. 40, Account No. 006030 to fund tenant improvements and moving costs associated with a leased facility located at 1201 S. Mateo Street, in order to relocate LADOT's equipment repair shop located at 430 E. Commercial Street; and,
2. Authorize the Office of the City Administrative Officer to make technical corrections, as necessary, to the transactions authorized through this report, as required to implement the Mayor and Council's intentions.

SUMMARY

The Los Angeles Department of Transportation's (LADOT) equipment repair shop located at 430 E. Commercial Street and Temporary Signs Division located at 401-449 N. Avenue 19 are relocating to 1201 S. Mateo Street. The City executed a 10-year lease, Contract No. C-135304, with The Thrifty Oil Company, which started January 1, 2020 and will expire on December 31, 2030. The General Services Department estimates the total cost for tenant improvements (TI), communications, furniture and moving to be \$1.5 million. Of that amount, \$779,748 (or 53 percent) is attributed to the equipment repair shop and, the balance, \$685,482 (or 47 percent) is attributed to the Temporary Signs Division. See the Attachment for additional details. The estimated completion date of the TI project for 1201 S. Mateo Street is June 2021. The move in date would be coordinated upon completion of the TI project and will take approximately one or more weeks depending on the complexity.

City policy is to pursue cost recovery from Special Funds or other funding offsets. The equipment repair shop is being relocated because additional space is needed to accommodate 14 additional buses and electric charging stations and 35 additional staff members including drivers, dispatchers, road supervisors and mechanics at 430 E. Commercial Street, which is adjacent to the newly constructed Dash facility located at 454 E. Commercial Street, which will house 60-70 buses and associated staff due to LADOT's all-electric bus fleet mandate. The Temporary Signs Division is being relocated due to an economic redevelopment project. Any cost recovery options relative to Avenue 19 site will be addressed in a separate report at a later date.

The 2020-21 Third Construction Project Report (CPR; CF 20-1021 S2) provides total funding in the amount of \$2.2 million from various Capital and Technology Improvement Expenditure Program sources to address the LADOT TI projects and moving costs for the 1111 and 1201 S. Mateo Street leases and the moving costs for the 888 S. Vermont Avenue lease. The recommended \$779,748 in cost recovery would effectively be used to repay a portion of the Third CPR transfer. The resulting funding capacity would then be used to achieve full occupancy at the 1111 S. Mateo Street lease site. At this time, there is an additional 15,000 to 25,000 square feet of unoccupied space that the City will be required to incur monthly rental costs. LAPD functions are tentatively under consideration for this space, however, there is no funding allocated for this purpose. Subject to approval of the proposed cost recovery, staff will work to develop a Phase III occupancy plan for the 1111 S. Mateo Street site and will obtain any implementing authorities needed through a forthcoming report.

FISCAL IMPACT

There is no anticipated General Fund impact. The recommended cost recovery in the amount of \$779,748 from LADOT Proposition A Fund would provide cost recovery and enable the initial source of capital funding to be utilized towards Phase III tenant improvements, as needed to achieve full occupancy of the Mateo Street lease space.

BACKGROUND

On October 31, 2019 and September 24, 2020, the Municipal Facilities Committee (MFC) instructed staff to report back relative to the Los Angeles Department of Transportation (LADOT) identifying potential funding to offset relocation costs using special funds, operational savings or other funding source under the Department's control.

Cost Recovery of Displacement Costs

Staff is recommending cost recovery of the prorated share of displacement costs, which factors \$779,748 (or 53 percent) as the displacement costs attributed to the equipment repair shop due to its relocation to 1201 S. Mateo Street. The General Services Department (GSD) calculated the total cost, including tenant improvements (TI), communications, furniture and moving costs, to be \$1.5 million.

Cost Recovery of Property Value

Curtis & Rosenthal, a GSD contractor, completed a Class A Appraisal and estimated the property's fair market value to be \$7.9 million as of September 10, 2020. Staff does not recommend the property value cost recovery method because after reviewing the property's grant deed, the GSD Real Estate Section was not able to identify the original funding source used for the acquisition of the property. The acquisition date for the 430 E. Commercial property was April 5, 1937. The property jurisdiction is LADOT.

A. LADOT Electrification Mandate

In August 2019, the LADOT stated that the 430 E. Commercial Street equipment repair shop needed to be relocated due to its electrification mandate and a lack of adequate space at the adjacent, newly constructed Dash facility located at 454 E. Commercial Street. The service expansion mandate to an all-electric bus fleet (CF 17-0739) establishes a goal to pursue a zero-emission technology fleet of vehicles including the entire 350 DASH bus fleet. Space for 14 additional buses and electric charging stations is needed at 430 E. Commercial Street along with 35 additional staff members. At that time, the delivery schedule showed the new buses arriving between February and May 2020. The LADOT needed time to complete the necessary site improvements to accommodate the new buses.

Since then, LADOT's operational needs have changed due to COVID 19 and the development timeline was delayed. LADOT's revised timeline shows the bus manufacturing started in September 2020 and 25 new buses will be delivered by the end of March 2021. LADOT has received 11 buses, which will be housed at the 454 E. Commercial site. It has temporarily reassigned a few buses to other LADOT properties located in the Valley and South Los Angeles, to address social distancing concerns. It anticipates that the reassignment will terminate by the end of June 2021 because all of

the buses will be needed to implement route modifications in the downtown area. At that time, the 454 E. Commercial site will be housing a total of 70 new electric buses. LADOT is in the process of looking at a short term solution to house the remaining 14 new vehicles and the additional staff vehicles that cannot be accommodated at the 454 E. Commercial facility (until the adjacent 430 E. Commercial facility becomes available). It plans to initiate the design work to redevelop the 430 E. Commercial site in 2021 22. No additional funding for construction will be needed at this time.

B. New Leases for LADOT Yards and Shops Operations

For 2020-21, the City will incur \$3.3 million in leasing costs due to new 10-year leases for the three LADOT yards and shops operations, as follows:

- \$0.8 million for 1201 S. Mateo; lease started January 1, 2020 and expires December 31, 2030 (Contract No. C-135304).
- \$1 million for 1111 S. Mateo; lease started September 30, 2020 and expires August 31, 2030 (Contract No. C-136934).
- \$1.5 million for 888 S. Vermont; lease started November 1, 2020 and expires October 31, 2030 (Contract No. C-137175).

The chart below details the Council File (CF) number; MFC approval date; originating yard’s addresses, LADOT Division and number of employees; relocation need and the lease site addresses.

CF No.	MFC Date	Originating Site	Relocation Need	Lease Site
20-0702	May 28, 2020	411 N. Vermont Ave. Hwd. Parking Enforcement (182 employees) High Priority Scofflaw Unit (23 employees) Special Events Unit (12 employees) Crossing Guards Unit (8 employees) Communications Center Unit (6 employees) Training Unit (4 employees)	Required renovations to address pervasive structural deficiencies for an existing facility.	888 S. Vermont Ave.
19-1359	October 31, 2019; September 24, 2020	401-449 N. Ave. 19 Mark-Out/Striping Division (43 employees)	An economic redevelopment project.	1111 S. Mateo St.
19-1360	October 31, 2019	430 E. Commercial St. Equipment repair shop (5 employees). 401-449 N. Ave. 19 Temporary Signs Division (33 employees).	Space needed for 14 buses, staff & electric charging stations. An economic redevelopment project.	1201 S. Mateo St.

C. Proposed Use of Cost Recovery to Achieve Full Occupancy of Leased Space

After Council approved the occupancy plan for the 1111 S. Mateo Street lease, the GSD identified an additional 15,000 to 25,000 square feet of unassigned space. On September 24, 2020, the MFC instructed staff to develop and report back on an occupancy plan for the unassigned space. The GSD will report back to MFC on the details and costs for a Phase III occupancy plan for displaced Los Angeles Police Department (LAPD) yards and shops functions for new and salvaged vehicle operations.

As currently proposed, approximately 50 LAPD vehicle would park at this location. If approved, the proposal would allow the facility to achieve full occupancy. The \$779,748 identified in this report would be used to offset any TI costs once GSD estimates are available. The GSD has confirmed that the proper security, fencing and ventilation needed to address any special exhaust fumes would be in place in order to properly park the vehicles inside the building.

The LADOT's Mark-Out/Striping Division from 401-449 North Avenue 19 will be relocated to 1111 S. Mateo Street and will occupy approximately 40 percent of the building and 100 percent of the outdoor parking lot. The Mark-Out/Striping has a large number of compressed natural gas fueled equipment, such Long Line Stripers (41 feet in length) and Paint Stripers (31 feet in length) as well as a large fleet of gas-powered vehicles. These vehicles must remain outside.

The GSD states that the estimated completion date of the TI project for 1111 S. Mateo Street to be mid May 2021 based on the current schedule. The move in date would be coordinated upon completion of the TI project and will take approximately one or more weeks depending on the complexity.

D. Proposed General Fund Impact of the Three Leases

The leases (1201 S. Mateo, 1111 S. Mateo and 888 S. Vermont) for the three displaced LADOT yards and shops operations will range from 10 years to 20 years in duration and will cost approximately \$50.1 million based the full term of the leases. The 1111 Mateo and 888 Vermont leases include five-year renewal options.

The City is also responsible for an additional \$4.1 million in TI, communications, furniture and moving costs for a total estimate of \$54.2 million based on the lease terms. The chart on the next page provides the originating site addresses, lease terms, and General Fund impact.

Originating Site	Lease Term	Lease Cost for Full Term (General Fund Impact)	TI, Communications, Furniture & Moving	Totals
411 N. Vermont Ave.	Ten years. Two renewal options	\$13.5 million for 10 years <u>\$6.8 million for renewal options.</u> \$27.1 million Total cost	\$855,256 moving cost estimate. No additional City costs due to TIs.	\$27.9 million
401-449 N. Ave. 19	Ten years. One renewal option	\$10.4 million for 10 years. <u>\$5.2 million for renewal option.</u> \$15.6 million Total cost	\$1.8 million	\$17.4 million
430 E. Commercial Street 401-449 N. Ave. 19	Ten years.	\$7.4 million for 10 years. \$3.9 million (53%) attributed to Commercial St. \$3.5 million (47%) attributed to Ave. 19.	\$1.5 million \$779,748 (53%) attributed to Commercial St. \$685,482 (47%) attributed to Ave. 19.	\$8.9 million
Totals:		\$50.1 million	\$4.1 million	\$54.2 million

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Attachment - Total relocation costs for the 1201 S. Mateo Street Lease

ATTACHMENT: 430 E. COMMERCIAL STREET PROPERTY

Total relocation costs for the 1201 S. Mateo Street Lease

Category	Category Totals	Temporary Tow Sign Operation	Equipment Repair Shop
Square Footage and Area %	37,600 RSF	19,176 sq ft [51%]	18,424 sq ft [49%]
Construction	\$1,051,843	\$536,440 [51%]	\$515,403 [49%]
IT (Data/Phone/Alarm)	\$53,036	\$27,048 [51%]	\$25,988 [49%]
Furniture	\$45,822	\$45,822	0
Shelving Disassembly, Move, Reassembly	\$59,058	\$59,058	0
Transport Heavy Machinery	\$205,113	0	\$205,113
Moving	\$50,358	\$17,114	\$33,244
Cost Totals	\$1,465,230	\$685,482 [47%]	\$779,748 [53%]