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May 27, 2021

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 SUBLEASE WITH LOS ANGELES METRO TRANSIT AUTHORITY
FOR A COUNCIL DISTRICT 10 FIELD OFFICE**

The Department of General Services (GSD) requests authority to negotiate and execute a new sublease for a Council District 10 (CD-10) field office with the Los Angeles Metropolitan Transportation Authority (MTA) located at 3695-3699 Crenshaw Blvd, Los Angeles, CA 90016.

BACKGROUND

On January 9, 2021, the City Council approved a motion from CD-10 recommending the establishment of a Constituent Service Center (CSC) along the Crenshaw Corridor (C.F. 21-0033). This CSC will ensure that constituents will have timely and efficient access to City personnel and programs.

Located in proximity to the Exposition Line and future Crenshaw/LAX Line, this transit-oriented community is ideal for enhanced City presence. In addition to accommodating the CD-10 field office, future plans include space for the Department of Public Works, Transportation, Planning, Sanitation, and Housing and Community Investment, along with other appropriate City departments and agencies.

MTA initially leased this space in 2011 in order to establish a field office for construction of the Crenshaw/LAX Line. As the project nears completion, MTA is reducing their footprint in the 10,902 square foot (sf) office space. CD-10 desires to expand into the space as it becomes available and eventually lease the entire 10,902 sf building to create a hub to serve its constituents. However, for the first six months, 1,420 sf is available.



TERMS AND CONDITIONS

The initial sublease term is for one year, commencing July 1, 2021. The City will have two one-year extension options contingent on MTA's decision to extend the master lease. MTA currently plans to exercise the first option from July 1, 2022 through June 30, 2023 at a minimum. If MTA does not extend the lease, then the Landlord will negotiate a new lease directly with the City. The landlord will cover all utilities, maintenance, custodial and property taxes in this modified gross lease. A complete set of terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENTS

CD-10 requested that the Landlord perform minor improvements to renew the space, which will be at the City's expense. One demising wall will be removed to combine two small offices into one. The entire sublease area will be repainted and have new carpet installed. A shared conference room will have walls painted and the carpet will be shampooed. The cost of these improvements is \$19,895.

MARKET ANALYSIS

Based on recent market analysis, the price per sf for similar locations and type of office space range from \$2.50 - \$3.00 per sf with an additional average of \$0.80 Triple Net (NNN) per sf. The proposed lease is \$2.75 per sf for base rent and \$0.31 per sf for Common Area Maintenance (CAM) charges, totaling \$3.06 per sf. This price reflects a modified gross lease, meaning that maintenance costs are included, and is within the acceptable range of comparable properties.

Location	Rental Rate	Rentable Square Footage	Lease Type
3695-3699 Crenshaw Blvd	\$3.06	10,902	Modified Gross
3645 10 th Ave	\$3.00	6,530	NNN
3868-3876 Crenshaw Blvd	\$2.50	6,000	NNN
3015 S Crenshaw Blvd	\$3.00	5,000	NNN
5066 W Jefferson Blvd	\$2.95	5,500	NNN
5253 W Adams Blvd	\$2.00	6,434	NNN

FISCAL IMPACT

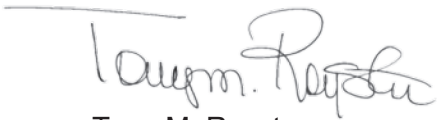
The projected cost impact to the 2021-22 Citywide Leasing program totals \$284k, which includes the projected rental costs (\$203k), maintenance and utilities (\$41k), furniture (\$20k) and tenant improvements (\$20k). This projected rental costs assumes expansion of the lease space following the initial six months (January to June 2022), but does not include any allowance for tenant improvements for the expanded space as these costs have not yet been evaluated. However, if this expansion does not occur the annual rental costs would be reduced by \$188k, for a total first-year cost of \$96k for all associated expenses.

There is an overall funding shortfall projected for the 2021-22 Citywide Leasing Program. The CAO will provide a detailed account of leasing liabilities and potential offsets to mitigate additional impact on the General Fund beyond the monies authorized for the Program through the final

adopted City Budget, as part of a forthcoming Quarterly Citywide Leasing Report that will be presented to the Municipal Facilities Committee at its next regularly scheduled meeting.

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 sublease with Los Angeles Metropolitan Transportation Authority at 3699 Crenshaw Blvd for a CD-10 Field Office 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 above the first few letters.

Tony M. Royster
General Manager

Attachments: Term Sheet

LEASING TERM SHEET

MFC DATE	05/27/2021
LANDLORD	Los Angeles County Metropolitan Transportation Authority
ADDRESS	One Gateway Plaza - 22nd Floor, MS 99-22-9, Los Angeles, CA 90012
TENANT	City of Los Angeles
ADDRESS	111 E 1st Street, Room 201, Los Angeles, CA 90012
LOCATION	3695-3699 Crenshaw Blvd, Los Angeles, CA 90016
AGREEMENT TYPE	Payable sublease
USE	Office
SQUARE FEET	Approximately 1,420 with possible expansion to 10,902
TERM	7/1/21- 6/30/22 (1 Year)
RENT START DATE	7/1/21
LEASE START DATE	Date Attested
OPTION TERM	2 one-year extension options, if Metro exercises its option
HOLDOVER	Terminable with 90 day notice. Rent increased 120%
SUBLET/ ASSIGNMENT	Right to Sublease/Assign - Landlord approval
TERMINATION	Upon uncured default
RENTAL RATE	\$3,903.65 per month (\$2.75 PSF)
ESCALATION	\$0.10 PSF annually
RENTAL ABATEMENT	N/A
ADDITIONAL RENT	N/A
PROPERTY TAX	Included in Rent
OPEX	\$440.05 per month (\$0.31 PSF)
CAM	Included in Rent

OTHER	
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Other
MAINTENANCE/ REPAIR DETAILS	Master Landlord to maintain all reasonable wear and tear except damage caused by MTA and City
TENANT IMPROVEMENTS	Office Area: Paint, new carpet, remove 1 demising wall to combine 2 offices Conference Room: Paint, shampoo carpet \$19,325 Parking: Change signage for 6 parking spaces to be reserved for City use \$570
PARKING	6 Reserved Spaces
UTILITIES	City's share (estimate \$350/month, 13% for 1,420 SF)
CUSTODIAL	Included in Rent
SECURITY	N/A
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE (City)	City shall indemnify and hold harmless Landlord
OTHER:	<p>City will self-insure Furniture included (desks, chairs, cubicles)</p> <p>City may expand space at MTA's discretion. Rent and utility cost will be adjusted according to each party's square footage.</p> <p>Total Office SF: 10,902 Current MTA SF: 9,482 (Prorata 87%) Current City SF: 1,420 (Prorata 13%) Prorata share will be adjusted based on SF of expansion.</p>