

# CITY OF LOS ANGELES

CALIFORNIA

Agenda Item No. 4

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT



ERIC GARCETTI  
MAYOR

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January 27, 2022

Honorable City Council  
City of Los Angeles  
C/o City Clerk  
Room 305, City Hall  
Los Angeles, CA 90012

Attention: Michael Espinosa, Legislative Assistant

## **REQUEST TO REVISE CITY COUNCIL APPROVAL FOR COUNCIL DISTRICT ONE AT 1901 WEST 6<sup>TH</sup> STREET, LOS ANGELES, CA 90057**

The Department of General Services (GSD) requests authority to revise City Council approval (CF 17-1406) for the proposed lease agreement between the Californian Partners L.P, formerly known as the Retirement Housing Foundation (RHF), ("Landlord") and the City of Los Angeles. The new lease terms revise the no-cost lease to a lease with rental costs for a Council District 1 (CD1) field office located at 1901 West 6th Street, Los Angeles, CA 90057.

### **BACKGROUND**

On June 19, 2018, a motion was approved for a new field office to serve constituents of the southernmost portion of CD1 in Westlake and Pico Union areas. This field office consists of existing staff including one district director, two field deputies and one case manager.

This office is approximately 1,000 sf on the 1<sup>ST</sup> floor retail level of a mixed-use building known as The Paseo at Californian (Paseo) in the Westlake district. The Paseo consists of 53 residential units and ground floor retail. The property owners are the Californian Partners L.P, which is a non-profit organization.

This lease was originally approved under CF 17-1406 as a zero-rent lease, however during negotiations, the Landlord requested that the City provide special State tax exemption status which was not part of the initial terms, and neither is that under City control.

However, during the drafting of the lease, the Landlord took it upon himself to start the tenant improvements without a signed and attested lease. GSD was informed that the Landlord also allowed CD1 to take possession of the property before negotiations were completed and the lease signed. GSD informed the Landlord that the City had no authority regarding granting State tax exemptions and thus negotiations came to an impasse.



After several months of delay, both parties agreed to offset the potential State tax exemption with the understanding that the City would now pay market rent. GSD negotiated a favorable rate at the lower spectrum of the market and excluded any retroactive payments. This change in the terms and conditions warrants a revised approval by City Council.

### **TERMS AND CONDITIONS**

The lease will run concurrent with the Council term ending June 30, 2022 with an option to extend for an additional four years ending June 30, 2026. The original zero-rent term will be replaced with market rent and all other terms and conditions remain the same. A complete set of terms and conditions for this recommended lease are outlined on the attached term sheet.

### **TENANT IMPROVEMENTS**

Tenant improvements were performed by the landlord's contractor and consist of two offices, a receptionist desk, installations of old and new workstations and furniture for a total estimated cost of \$87,595. Once there is a signed lease, the City will reimburse the Landlord for the improvements as agreed pursuant to Council File 17-1406.

### **COMMUNICATION AND MOVING EXPENSES**

Communication expenses including security cameras, data, cabling, phone plus exterior signage and moving expenses are approximately \$19,468. ITA has performed a majority of the IT connections and once the lease is executed will complete the remaining scope of work.

### **MARKET ANALYSIS**

Based on recent market comparables, the price per square foot (psf) for a similar location and type of retail/office space ranges from \$1.75 to \$3.00. This lease was negotiated for \$1.75 psf for a 1,000 sq.ft office space at the lower range of the market.

<b><u>Locations</u></b>	<b><u>Property Type</u></b>	<b><u>Rental PSF</u></b>	<b><u>Rentable Sq. Ft</u></b>
<b>1901 W. 6<sup>th</sup> Street</b>	<b>Retail/Office</b>	<b>\$1.75</b>	<b>1,000</b>
1610 Beverly Blvd	Live/work/Office	\$1.95	5,520
2552 Beverly Blvd	Retail/Office	\$3.00	5,100
1047-1049 S. Grand View Street	Retail/Storefront	\$1.75	2,700
2318-2330 W. Olympic Blvd	Retail/Storefront	\$2.95	3,000
719 S. Park View Street	Retail/Storefront	\$3.00	2,000
1712 W. Temple Street	Retail	\$2.00	6,068
1533 Wilshire Blvd	Office	\$3.00	7,472

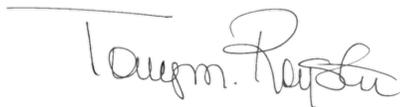
**FISCAL IMPACT**

A total of \$116,515 was set aside in the leasing account this year for this lease for one-time costs for tenant improvements (\$87,595), as well as for communications installation and moving expenses (\$19,468), and an amount set aside for Custodial and Utility costs (\$9,452). Actual utilities and custodial costs are unknown at this time. The rental allocation was not a part of the original approval. Six months of rent are anticipated in FY 22 totaling \$10,500 at \$1,750 per month. GSD will include ongoing annual rental costs plus 3% escalation and expenses in subsequent FY lease budget requests.

<b>FY-22 Funding – 1901 W. 6<sup>th</sup> Street, Los Angeles, CA 90057</b>					
<b>New Lease Overall cost</b>	<b>Monthly Costs</b>	<b>One-Time Costs</b>	<b>FY-2022 Estimated Expense</b>	<b>FY-2022 Available Funding</b>	<b>FY-2022 Estimated Balance</b>
Rent	\$1,750		\$10,500		
ITA-CSR/Moving		\$19,468	\$19,468		
TI/Furniture		\$87,595	\$87,595		
Utilities	TBD				
Custodial	TBD				
<b>TOTAL</b>	<b>\$1,750</b>	<b>\$107,063</b>	<b>\$117,563</b>	<b>\$107,063</b>	<b>(\$10,500)</b>

**RECOMMENDATION**

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate a lease with the Californian Partners L.P at 1901 W. 6th Street, Los Angeles, CA 90057 for a field office for Council District 1 under the terms and conditions substantially outlined in this report.



Tony M. Royster  
General Manager

Attachment: Term Sheet

## LEASING TERM SHEET

MFC DATE

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LANDLORD

ADDRESS

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TENANT

ADDRESS

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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	N/A
SECURITY DEPOSIT	N/A
MAINTENANCE/ REPAIR	LANDLORD
MAINTENANCE/ REPAIR DETAILS	The City is responsible for basic maintenance. The Landlord will maintain and repair major components of the building such as foundation, structure, roof HVAC equipment, plumbing, sewer, electrical, fire sprinklers and boiler.
TENANT IMPROVEMENTS	Tenant improvements were performed by the landlord's contractor and consist of two offices, a receptionist desk, installations of old and new workstations and furniture for a total estimated cost of \$87,595. Once there is a signed lease, the City will reimburse the Landlord for the improvements as agreed pursuant to Council File 17-1406
PARKING	Two (2) parking spaces
UTILITIES	City
CUSTODIAL	City
SECURITY	City
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE	CITY shall indemnify and hold harmless Landlord
OTHER:	<p>Property Taxes :</p> <p>The City will not be responsible for any property taxes and assessments attributable to the premises as as result of the City's use.</p> <p>The Landlord is a non-profit and the building has 53 affordable housing units. The City is paying rent and this may or may not change the non-profit's owners tax and assessment status.</p> <p>Landlord/Owner:  Stuart Hartman  Vice President of Operations  562-257-5100 ext. 5109</p>