

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

Agenda Item No. 3

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March 31, 2022

Honorable City Council
City of Los Angeles
C/o City Clerk
Room 395, City Hall
Los Angeles, California 90012

Attention: Michael Espinosa, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A NEW
LEASE WITH LR LITTLE TOKYO MALL, LLC AND LR LITTLE TOKYO MALL-2, LLC,
AT 319 EAST SECOND STREET, LOS ANGELES**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with LR Little Tokyo Mall, LLC, and LR Little Tokyo Mall-2, LLC, for the Information Technology Agency's (ITA) Channel 35 television studio and office space located at 319 East Second Street, Los Angeles, California.

BACKGROUND

On August 16, 2017, (CF# 17-0846) was adopted and lease C-130922 was created and expired on March 31, 2021. Channel 35 occupies approximately 6,137 rentable square feet (sf) of studio and office space at 319 East Second Street, Suite 301. The original lease began on July 10, 1998. The lease is now on holdover (month to month) as of March 31, 2021.

Channel 35 was expected to relocate their administrative offices, television studio and broadcast control room after major tenant improvements (TI) were completed to the Masonic Hall and Merced Theatre in the El Pueblo de Los Angeles Historic Park (El Pueblo). Unfortunately, the project was delayed in June of 2017 when the contractor bids came in significantly higher than the estimated budget.

ITA/Channel 35 and the Bureau of Engineering (BOE), have confirmed and estimated they are approximately five to seven years away from securing the necessary funding and completing the TI's on the El Pueblo site. Therefore, a new lease at their current location is being requested for the interim period.



TERMS AND CONDITIONS

The new proposed lease is for seven years with three, one-year options and allows for an early termination after the fifth year.

Currently, there are 15 spaces with five reserved for City vehicles and ten unreserved. ITA/Channel 35 is requesting additional parking spaces in the new lease for up to 22 spaces. The staff count is currently 16-18 and there are 5-7 positions expected to be filled within fiscal year 22-23 including three to five Visual/Audio Engineers and two Digital & Social Media Directors.

A complete set of terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENTS

BOE and the owner's General contractor have spent considerable time preparing the blueprint and cost estimates to build out new editing rooms and more efficient work space. The TI's will include a number of major components to equip the studio and suite for full production. The scope of work consists of the following: sound insulation \$38k, 11 new doors \$46,700, reception security area \$25k, new HVAC system to accommodate new equipment and studio operations at \$68k, electrical \$78k, and permit allowance \$25k. The total TI project is estimated at approximately \$700k. The Landlord will contribute \$150k towards the project.

MARKET ANALYSIS

Based on recent market analysis, market rents of similar type properties and uses in the Downtown Los Angeles submarket range from \$1.87 - \$4.00 per square foot (sf) + tenant's proportionate share of operating expenses, property tax, and insurance. Channel 35's proposed rate of \$2.00 per sf is on the lower end of the spectrum for comparable properties in the area. The below chart illustrates the Fair Market Rental Rate currently being offered.

Location	Property Type	Rent/SF/Mo	Rentable S.F.
2002 E. 1st Street	Flex/Office	\$2.00	5,000
2414 N. Broadway	Office/Loft	\$1.87	6,200
2318-2330 Olympic Blvd	Retail	\$2.95	6,000
124 N. Vignes Street	Office/loft	\$4.00	7,475
1533 Wilshire Blvd	Office	\$2.80	7,472
319 E. 2nd Street – Subject Property	Office	\$2.00	6,137


FISCAL IMPACT

There is no impact to the General Fund as the lease is paid by the Telecommunications Development Account (TDA). The TI's costs are estimated at \$700K (\$550K from TDA). The funding will be provided by ITA's Special Fund TDA 32008 and the Landlord's contribution will be \$150K towards the project.

FY-22 Funding – 319 E. 2 nd Street, Los Angeles, CA 90012					
New Lease Overall cost	Monthly Costs	One-Time Costs	FY-2022 Estimated Expense	FY-2022 Available Funding	FY-2022 Estimated Balance
Rent	\$12,274		\$36,822	586,822	
ITA Special Fund	N/A				
Landlord Contribution		-\$150,000			
TI	N/A	\$700,00	\$550,000		
TOTAL	\$12,274	\$550,000	\$586,822	\$586,822	\$0

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 lease agreement with LR Little Tokyo Mall, LLC, and LR Little Tokyo Mall-2, LLC, a California limited liability company, for property located at 319 E. 2nd Street, Suite 301, Los Angeles, CA 90012 under the terms and conditions substantially as outlined in this report.


 Tony M. Royster
 General Manager

Attachments: Term Sheet

LEASING TERM SHEET

MFC DATE

LANDLORD

ADDRESS

TENANT

ADDRESS

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

SECURITY DEPOSIT

MAINTENANCE/
REPAIR

MAINTENANCE/
REPAIR DETAILS

TENANT
IMPROVEMENTS

PARKING

UTILITIES

CUSTODIAL

SECURITY

PROP 13
PROTECTION

INSURANCE

OTHER: