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August 25, 2022

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UPDATE ON LEASE RELOCATION STRATEGIES AT 1200 WEST 7th STREET

The Department of General Services (GSD) provides this update for relocation lease strategies for five City departments after the lease term ends in February 2024 at 1200 West 7th Street Los Angeles, CA 90017 (Garland Building).

BACKGROUND

Under the original lease executed in 2003, the first City tenants to move to the Garland building were the Los Angeles Housing Department (LAHD) in April 2003 (CF: 02-2570). Subsequently, Recreation and Parks (RAP) relocated to the Garland building in April 2004, and Community Development Department (CDD) in January 2005. Since then, various moves have occurred as well as reconfigurations of space to accommodate the current departments now housed at Garland.

Current tenants include LAHD, Finance Department (Finance), and Economic Development Department (EWDD). Additionally, at the Municipal Facilities Commission (MFC) meeting on July 28, 2022 the Youth Development Department (YDD) and Community Investment for Families Department (CFID) were approved to move into suites previously occupied by the Police Department. These two departments will occupy the space on the fourth floor in the coming months

The chart below is the current stack plan.

| | | |
|-----------------------|--|------------|
| 9 th Floor | LA Housing Department | 34,850 RSF |
| 8 th Floor | LA Housing Department | 43,382 RSF |
| 7 th Floor | LA Office of Finance | 43,382 RSF |
| 6 th Floor | Economic and Workforce Development Department | 43,382 RSF |
| 4 th Floor | LAHD / YDD / CFID / EWDD | 43,382 RSF |
| 1 st Floor | LA Housing Department - Public Counter / Office of Finance | 16,201 RSF |



There have been four amendments to the lease:

- First Amendment - Additional term of 10 years (03/01/2009-02/28/2019)
- Second Amendment - Amendment addressed the broker commission credit which resulted in a tenant improvement allowance for the City.
- Third Amendment - Added Suites 150 and 700 to lease for the Office of Finance.
- Fourth Amendment - On November 22, 2017, the City executed this 4th Amendment currently occupying approximately 228,536 sf. Five-year option to extend (03/01/2019-02/29/2024)

In May 2019, L.A. Care Health Plan signed an expansion and extension agreement with the Landlord, Rising Realty, for approximately 370,000 square feet, which represents the entire office tower. It includes the spaces that are currently occupied by the City who must vacate by February 28, 2024.

OPTIONS FOR REPLACEMENT OF GARLAND LEASED SPACE

On March 30, 2022, LAHD submitted a request to the City Administrative Officer expressing interest in moving to a new location (either City-owned or privately-owned) and requested assistance in identifying available relocation options for 590 staff members and contingency space for 51 positions requested in the FY22-23 budget.

GSD will be issuing a Task Order Solicitation to engage the services of a broker and project manager to locate space for the affected departments. Ideally, the City should identify and execute a new agreement by the end of 2022. This will allow time for space planning, tenant improvement work, and other relocation activities to be completed throughout next year in preparation for a March 1, 2024 occupancy.

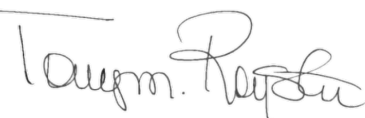
On June 7, 2022, GSD received a proposal from Local Initiative Health Authority for Los Angeles County dba L.A. Care Health Plan, as sublandlord to sublease approximately 128,614 rentable square feet. The City currently occupies 228,536 out of 733,759 square feet (sf) of the building representing approximately 31.14 % of the entire project for 60 months that is expiring 2/29/24. L.A. Care Health Plan indicates they are currently engaged in a space study to be completed by September and may be able to offer additional space and time frames.

The current proposal staggers commencement dates - some floors in April 2024 and others in September 2025 - with an expiration date of 2035. Financial deal points of this proposal will be discussed in closed session.

GSD's Task Order Solicitation will include a request for the broker to evaluate this sublease offer and negotiate a deal if the City decides to keep all or some of the occupants at the Garland building. GSD will report back to the MFC once the City's broker representative is engaged and will provide analysis on the sublease proposal and additional options in the downtown area.

RECOMMENDATION

That the MFC note and file this report.



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