

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



KAREN BASS
MAYOR

Agenda Item No. 2

DEPARTMENT OF
GENERAL SERVICES
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CITY HALL SOUTH
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LOS ANGELES, CA 90012
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December 15, 2022

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA, 90012

Attention: Michael Espinosa, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE
A FOURTH AMENDMENT LEASE WITH SAMKO LLC
FOR OFFICE/TESTING SPACE AT 2714 MEDIA CENTER DR, LOS ANGELES**

The Department of General Services (GSD) requests authority to negotiate and execute a new fourth amendment to the original lease with Samko, LLC (“landlord”) for approximately 64,820 rentable square footage (sf) of space at 2714 Media Center Drive, Los Angeles CA 90065 for use by the Los Angeles Sanitation Department (“LASAN”).

BACKGROUND

On July 3, 2012, Council File number (C.F# 12-0794) was adopted. This report provides background information and details on the proposed fourth lease amendment. LASAN leases approximately 64,820 square feet of light manufacturing and industrial space at the subject location.

LASAN’s lease agreement was effective May 6, 2002. Through amendments, the term has been extended through April 30, 2023. The proposed fourth amendment extends the agreement from May 1, 2023 to April 30, 2026 with two, one-year options to extend.

Please note the property ownership changed on October 10th of 2018 to Samko, LLC.

LASAN operations at this location include office and warehouse use for a receiving station for wastewater samples.



TERMS AND CONDITIONS

The lease amendment which maintains the current premises at 64,820 sf, will be for three years with two, one-year options to renew subject to termination, starting May 1, 2023 through April 30, 2026. The one- year options could extend the lease through April 30, 2028. LASAN and the Landlord have agreed to pay the rent in advance quarterly. The Landlord has inserted a mutually agreed upon late fee assessment of 5%.

Payments are as follows:

2714 Media Center Drive	Monthly Rent	Per Sq. foot
5/1/2023-4/30/2024	\$119,917.00	\$1.85
5/1/2024-4/30/2025	\$123,515.00	\$1.91
5/1/2025-4/30/2026	\$127,220.00	\$1.96
5/1/2026-4/30/2027	\$131,037.00	\$2.02
5/1/2027-4/30/2028	\$134,968.00	\$2.08

Parking is included with approximately 181 spaces. LASAN has requested an additional 20-40 parking spaces that will be negotiated in a separate agreement. All other terms and conditions are included in the attached term sheet.

MARKET ANALYSIS

Lease comparables for this location are included in the table below.

Note: Comparative rates are within one mile of the location evaluated from 2021 to present.

2714 Media Center Drive	Monthly Rent (per square foot)
1940 Cypress Ave	\$2.12
1663-1667 Blake Ave	\$2.25
2527 San Fernando Road	\$2.50
2316 San Fernando Road	\$2.70
2829 N San Fernando Road	\$2.25
Total Average	\$2.36
Proposed Rent 1st year*	\$1.85

*Proposed Rent is 3% less than the average market range of comparables listed above.

FISCAL IMPACT

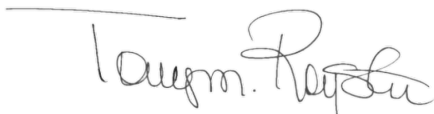
The current lease is funded for \$1,872,386 in FY 2022-23. Estimated new costs total \$1,923,995.10 annually resulting in a funding deficit of \$51,608.90.

Since this is a triple net lease, the lease has a clause for Additional Rent to pay for all charges other than base rent. As such, the City is responsible for annual maintenance and other expenses. These annual additional costs include insurance \$19,941.60, power generator maintenance \$11,278.75, alarm \$2,646, elevator maintenance \$9,251.72, HVAC \$31,779.05, property tax \$251,677 and miscellaneous maintenance requests of \$53,000 for a total of **\$379,574.12**. Rent, common area maintenance (CAM) and all other costs are paid with Sewer Construction Maintenance and Storm-Water Pollutants Abatement funds, having no impact on the General Fund.

	Monthly Rent and expenses (10 mos)	Monthly Rent and expenses (2 mos)	2022-23 Estimated Expense	2022-23 Available Funding	2022-23 Estimated Balance (Shortfall)
Rent	\$ 94,112.57	\$ 119,917	\$ 1,180,959.70		
CAM	\$ 7,234.00	\$ 7,234.00	\$ 86,808.00		
Management Fee	\$ 217.02	\$ 217.02	\$ 2,604.24		
Janitorial	\$ 22,170.75	\$ 22,170.75	\$ 266,049.00		
Utilities	\$ 666.67	\$ 666.67	\$ 8,000.04		
Additional Rent (Annual expense)	\$	\$	\$ 379,574.12		
TOTAL	\$ 124,401.01	\$ 119,917	\$ 1,923,995.10	\$1,872,386.20	\$ (51,608.90)

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize GSD to negotiate and execute a lease amendment with Samko, LLC for the continued use of office space located at 2714 Media Center Drive, Los Angeles, California 90065 for the Bureau of Sanitation use under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachment: Term Sheet