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May 25, 2023

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

Attention: Mandy Morales, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE AN OFFICE LEASE  
AT 1137 W. 6TH STREET, LOS ANGELES, CA 90017 WITH RANCHO GOMEZ  
INVESTMENTS LLC FOR THE COUNCIL DISTRICT ONE FIELD OFFICE**

The Department of General Services (GSD) requests authority to negotiate and execute a lease agreement for property owned by Rancho Gomez Investments LLC for 1,500 square feet (sf) of office space for Council District One (CD1) located at 1137 W. 6th Street, Los Angeles, CA 90017.

**BACKGROUND**

CD1 is requesting a permanent field office location within the MacArthur Park District to replace the former Councilmember's office located at 1901 W. 6th Street, Los Angeles, CA 90057. CD1 experienced major changes to their boundaries and constituent demographics due to the most recent redistricting process. This proposed office is more centrally located and will better serve the new constituency.

The former Councilmember had several field offices within his District that were subsequently closed due to the pandemic as well as the City Council election results. These offices were located in the MacArthur Park and Highland Park neighborhoods.

The proposed office space located at 1137 W. 6th Street, Los Angeles is a ground floor creative/retail office space that has recently been renovated, including upgrades to the secured parking area as well as security camera enhancements.

This location will better serve the constituents and will be the only field office in the western portion of Councilmember Hernandez's District.



## **TERMS AND CONDITIONS**

The lease term shall commence upon completion of certain tenant improvements to the space and will expire in December 2026, with two, four-year options to extend. The monthly rent is \$4,500 per month for 1,500 square feet of space and the agreement will include rent abatement for month two of the initial lease term. Parking is not included in the base rent and the City has the right to purchase up to three parking permits for the gated on-site parking lot at prevailing building rates, which are currently \$150 per month, per space. Parking has been capped at \$200 per month per space during the lease term.

The current Councilmember is up for reelection in December 2026. The agreement provides for early termination language for elected official leases. A complete set of terms and conditions are outlined on the attached term sheet.

## **MARKET ANALYSIS**

The proposed rate of \$3 per sf per month for base rent reflects a modified gross lease and is within the acceptable range for comparable office space in the area.

<b>Location</b>	<b>Property Type</b>	<b>Rent Rate</b>	<b>Rentable Square Feet</b>	<b>Lease Type</b>
1533 Wilshire Blvd	Class C Office	\$3.21	1,500-7,472	Full Service Gross
1330 W. 12th St.	Flex Office	\$2.85	4,100	Modified Gross
2500 W. 7th St.	Class B Office	\$3.00	743 - 2,490	Modified Gross
2619 Wilshire Blvd.	Mixed Use	\$3.00	1,237	Modified Gross
1120 W. 6th St.	Mixed Use	\$3.50	1,374 - 1,800	NNN
1050 Wilshire Blvd.	Mixed Use	\$2.95	2,100	Modified Gross
<b>Average Rental Rate</b>		<b>\$3.09</b>		

*Note: Proposed base rent of \$3.00 is less than the average rent for comparable ground floor office space in the immediate area.*

## **TENANT IMPROVEMENTS**

The 1,500 square foot of office space requires minimal tenant improvements. The landlord has agreed to deliver the premises in broom clean condition, new interior painting, as well as a budget up to \$5 per sf for a community mural project within the office space.

## **FURNITURE, COMMUNICATION AND MOVING EXPENSES**

Estimates by City vendors for installation of private office furniture and chairs for 12 staff is estimated at \$76,300. The estimate for moving expenses, as well as costs for data premises cabling, phone, and alarm systems through the City's ITA is \$50,000 for an estimated total of \$126,300.

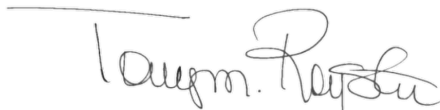
**FISCAL IMPACT**

Funding for this location has been included in the Citywide Leasing Account 2023-24 Fiscal Year Budget Request in the amount of \$69,000. The requested funding amount did not include the majority of the furniture, communication, and moving costs - the projected unfunded amount is estimated at \$120,300. It is expected that these additional costs will be accounted for in the Lease Optimization Report.

	Monthly Proposed Costs	Estimated Annual Expense	2023-24 Available Funding	2023-24 Estimated Balance
Rent	\$4,500	\$54,000	\$54,000	\$0
Parking	\$450	\$5,400	\$5,400	\$0
Utilities	\$300	\$3,600	\$3,600	\$0
Furniture, moving Communication expenses (one time cost)		\$126,300	\$6,000	(\$120,300)
<b>TOTAL</b>	<b>\$4,950</b>	<b>\$185,700</b>	<b>\$69,000</b>	<b>(\$120,300)</b>

**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 lease agreement with Rancho Gomez Investments, LLC at 1137 W. 6th Street, Los Angeles, CA 90017 for office space for Council District One under the terms and conditions substantially outlined in this report.



Tony M. Royster  
General Manager

Attachment: Term Sheet

## LEASING TERM SHEET

MFC DATE	05/25/2023
LANDLORD	Rancho Gomez Investments LLC
ADDRESS	1139 West 6th Street, Los Angeles, CA 90017
TENANT	City of Los Angeles - GSD for CD1 District Office
ADDRESS	111 East First Street, 2nd Floor, Los Angeles, CA 90012
LOCATION	1137 West 6th Street, Los Angeles, CA 90017
AGREEMENT TYPE	Modified Gross Lease
USE	Office
SQUARE FEET	1,500
TERM	Three (3) years and six (6) months
RENT START DATE	Upon substantial completion of tenant improvements/Tenant move-in
LEASE START DATE	Lease effective date upon City Clerk's Attestation
OPTION TERM	Two (2) Four (4) Year Options to Extend - Options at fair market rate
HOLDOVER	Month-to-Month after lease term expiration, 150% of the then base rent
SUBLET/ ASSIGNMENT	Right to Assign - Landlord approval
TERMINATION	See below City Termination Rights
RENTAL RATE	\$4,500.00 per month
ESCALATION	3% Annual Increases
RENTAL ABATEMENT	One month base rent abatement for month 2 of the initial term
ADDITIONAL RENT	No additional rent
PROPERTY TAX	N/A
OPEX	N/A
CAM	N/A

OTHER	City to be responsible for all utilities serving the Premises (water, electric, gas)
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Tenant  
MAINTENANCE/ REPAIR DETAILS	Tenant is responsible for all maintenance within their office premises; however Landlord will provide janitorial services and take care of all common areas of the property.
TENANT IMPROVEMENTS	Landlord, at Landlord's sole cost and expense, shall provide new paint and provide an additional allowance of \$3.00 psf ( $\$3.00 * 1500 = \$4,500$ ) to be used for a mural within the Premises.
PARKING	3 parking spaces @\$150.00 per month. Parking capped at \$200.00 per space
UTILITIES	City pays for electric, water, and gas
CUSTODIAL	Landlord
SECURITY	City shall be responsible for security
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.  
INSURANCE (City)	City shall indemnify and hold harmless Landlord
OTHER:	<p>*Tenant to provide signage and IT work.</p> <p>**Tenant shall have Expansion Rights to Suite 1139 if and when it becomes available. Should Tenant exercise this right, the terms for Suite 1139 will mirror the initial lease terms.</p> <p>***Termination: Not less than 60 days written notice, Tenant shall have the right to terminate the lease upon: (a) Assumption to office of a new Councilmember (b) Changes in district lines of the Council District or when Councilmember reasonably decides that the relocation of the District Office will better service the newly constituted District and (c) Determination by any authority having jurisdiction that the building is not in compliance with Americans with Disabilities Act. Termination fee equal to the unamortized leasing costs and two (2) months base rent.</p>