

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 2

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AND
CITY PURCHASING AGENT

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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 A NEW LEASE AGREEMENT WITH 350 SOUTH FIGUEROA STREET, LLC FOR OFFICE SPACE AT 350 SOUTH FIGUEROA STREET, LOS ANGELES

The Department of General Services (GSD) requests authority to negotiate and execute a new lease agreement with 350 South Figueroa, LLC (“landlord”) for approximately 12,252 rentable square footage (sf) of space at 350 South Figueroa Street, Suite 1002, Los Angeles CA 90071 for use by the Office of Inspector General (“OIG”). City Council had previously approved this project under (C-16-0653-S1) however due to a possible early termination right, we are seeking reapproval to clarify this lease provision.

BACKGROUND

On February 17, 2017, the City entered into a five-year lease agreement (C-128379) for the OIG which terminated February 16, 2022. This lease is currently on holdover. OIG requested to renew the lease since they continue to investigate matters that require the privacy that this space provides.

The OIG is an independent entity established through a voter-approved amendment to the City Charter in 1995. The OIG inspects, on behalf of the Police Commission, the LAPD’s handling of complaints of employee misconduct, and performs other duties as assigned by the Commission.

To maintain this independence, the OIG advises it needs this current space because of its close proximity to the Police Administrative Building, while still in a separate location.



TERMS AND CONDITIONS

The new agreement will be for three years with two, one-year options to renew, starting from February 27, 2022 through February 26, 2025. However, the Landlord may plan to redevelop the site and thus includes the Landlord's termination right. (See lease term provision attached)

The new proposed lease agreement will maintain the current premises and square footage with a rent adjustment from \$2.57 per square foot (psf) to \$2.80 psf, which is still within market range for this area. Annual increases will be 3%. 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.

350 S Figueroa Street	Monthly Rent (per square foot)
444 S Flower Street, 31 st floor	\$2.50
445 S Figueroa Street, 32 nd floor	\$3.15
350 S Grand Ave, 21 st floor	\$3.88
515 S Figueroa Street, 10 th floor	\$2.00
Total Average	\$2.88
Proposed Rent*	\$2.80

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

Overall rent increases are due to inflation. Base rent is \$34,305.60 monthly, plus the current parking of \$10,152.50, and Common Area Maintenance (CAM) costs are to be zero. Furthermore, City will get Base Rent abated for months two and thirteen.

Please note that the first year of this new lease agreement including parking will cost approximately \$44,458.10 monthly, or \$533,497.20 annually, with annual increases of 3% of the Base Rent.

FISCAL IMPACT

The current lease is funded for \$562,787.20 in FY 2022-23. Estimated new costs total \$499,191.60 resulting in a surplus of \$63,595.60 detailed in the chart below. However, as part of the extension negotiation, City will also receive a one-time CAM credit.

GSD will request an additional appropriation through the CAO Financial Status Report if needed.

	Monthly Proposed Costs	2022-23 Estimated Expense	2022-23 Available Funding	2022-23 Estimated Surplus
Rent	\$34,305.60	\$411,667.20		
Parking	\$10,152.50	\$121,830.00		
Rent Abatement		-\$34,305.60		
TOTAL	\$44,458.10	\$499,191.60	\$562,787.20	\$63,595.60

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize GSD to negotiate and execute a lease agreement with 350 South Figueroa, LLC for the continued use of office space located at 350 South Figueroa Street, Los Angeles, California 90071 for the Office of Inspector General's use under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachments: Term Sheet
Proposed Termination Language

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	None
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Landlord <input type="text"/>
MAINTENANCE/ REPAIR DETAILS	Landlord fixes all common areas and general maintenance of site
TENANT IMPROVEMENTS	Tenant will receive a \$15,000.00 allowance towards tenant improvements, if unsued shall be credited toward rent
PARKING	City has the right to lease up to 49 unreserved parking spaces at market rate
UTILITIES	Included in rent
CUSTODIAL	Included in rent
SECURITY	Landlord provides
PROP 13 PROTECTION	City is Exempt <input type="text"/>
INSURANCE	City shall indemnify and hold harmless Landlord <input type="text"/>
OTHER:	<p>Landlord can terminate lease if landlord requires the premises for "Development Project" with a 6 months prior notice to tenant after month 18 of the term, to be further defined in the lease. Proposed language attached.</p> <p>Tenant shall have right but not the obligation to four unreserved parking passes for every 1000 rentable square feet of leased premises. This would be 49 based on current and future use. Additionally, tenant shall have the right to convert up to 15 unreserved parking spaces to reserved. Current parking rate is \$245 per unreserved and \$305 per single reserved. Tenant can increase or decrease use as needed. Tenant has right for up to 30 parking validations monthly.</p> <p>Tenant shall be credited the 2022 paid CAM after the renewal extension is completed.</p>

8. **Landlord's Termination Right.** Notwithstanding anything in the Lease to the contrary, Landlord shall have the on-going right to terminate the Lease at any time after August 26, 2023, in connection with a Development Project (as defined in Section 9 below) ("**Landlord's Termination Right**") by giving at least six (6) months' prior written notice to Tenant ("**Landlord Termination Notice**"). In the event Landlord exercises Landlord's Termination Right, the Lease shall terminate effective as of the date set forth in the Landlord Termination Notice as if such termination date were the stated expiration date of the Lease. Tenant acknowledges and agrees that it shall cooperate with Landlord as reasonably necessary in connection with any Development Project, and that in no event shall Landlord be liable for any damages by reason of loss of profits, business interruption, or other consequential damage in connection with Landlord's exercise of its termination rights hereunder. Landlord's Termination Right shall be absolute and unconditional and shall continue in full force and effect with respect to any future amendment, addition, assignment, sublease, transfer, or other modification of the Lease. Notwithstanding anything to the contrary herein or in the Lease, and for clarification purposes, the parties hereto acknowledge and agree that nothing in this First Amendment shall reduce, limit or otherwise diminish Tenant's right to use, occupy, and quietly possess the entirety of the Premises throughout the entire Term, except for Landlord's Termination Right and Landlord's right to temporarily relocate Tenant's parking spaces (see below). In the event Landlord does not exercise Landlord's Termination Right, with or without a Development Project, Landlord shall continue to comply with and honor all of its obligations under the Lease, including without limitation Landlord's obligations under Article 23 and Section 28.18 of the Lease (except for Landlord's right to temporarily relocate parking, as set forth below).

9. **Development Project.** A "**Development Project**" shall mean any new construction, expansion, demolition, retrofitting, conversion, or adaptive reuse of the Building (or a portion thereof) which will result in (a) at least fifty percent (50%) of the Premises becoming unavailable for Tenant's occupancy or use, or (b) loss of occupancy or use, or conversion, of at least fifty percent (50%) of the total existing leasable office space on the third (3rd) through tenth (10th) floors of the Building, or (c) closure or restriction of access to the Building's parking facilities for a period of at least thirty (30) days, including but not limited to construction, expansion, demolition, retrofitting, conversion or adaptive reuse of the building, related land, improvements, parking facilities, common areas, driveways, sidewalks and landscaping of the Building; provided, however, common area renovations and upgrades that do not affect Tenant's use and occupancy of the Premises and are not part of a conversion or adaptive reuse project at the Building shall not be considered a Development Project. Landlord and Tenant hereby acknowledge the following: (y) Landlord, at Landlord's sole discretion, may engage in any Development Projects at the Building (or a portion thereof) while Tenant leases the Premises; and (z) Landlord shall have the right to temporarily close such parking facilities and relocate Tenant's parking spaces as Landlord, in Landlord's reasonable discretion, deems necessary for the duration of any such Development Project, but in no event farther than one thousand five hundred (1,500) feet from the Building.