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January 25, 2024

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**REPORT ON REPAYMENT PLAN FOR FRONT FUNDED TENANT IMPROVEMENT  
COSTS INTERIM BUDGET APPROPRIATION RELATED TO LEASE AT  
555 W. 5TH ST., LOS ANGELES - GAS COMPANY TOWER**

The Department of General Services (GSD) in consultation with the Office of the City Administrative Officer (CAO), the Los Angeles Housing Department (LAHD), and the Economic Workforce Development Department (EWDD), has prepared the following report outlining the projected repayment plan of \$21.35 million for the Interim Budget Appropriation to the General Fund. This funding was needed to pay the City's portion of tenant improvement costs in connection with a lease for five City departments, occupying approximately 308,791 rentable square feet (rsf) of office space, at 555 W. 5th Street, Los Angeles, also known as the Gas Company Tower (GCT).

**BACKGROUND**

On December 15, 2023, City Council adopted Council File 23-0604 authorizing GSD to negotiate and execute a lease agreement with Gregg Williams, Receiver for Maguire Properties-555 W. Fifth, LLC, (Landlord) for office space at 555 W. 5th Street, Los Angeles. This space will replace the City's lease at 1200 W. 7th St., (Garland Building), where five City departments are vacating by the end of February 2024. An Interim Budget Appropriation totaling \$21.35 million was approved to pay for the City's portion of the design, tenant improvement construction, furniture and relocation costs (collectively referred to as "TI") in FY 2023-24, those funds are being transferred to the Non-departmental Citywide Leasing Account 100/63/000024.

Under the lease agreement, the Landlord will provide rent and parking abatement for months 2-16 of the lease estimated from February 2025 to April 2026, with an aggregate value of \$19.77 million and provide free swing space and free storage space during the construction phase of the project. The remaining \$1.58 million not offset by rent abatement will be repaid proportionately by the Special Funds from LAHD and EWDD, and by the General Funded Citywide Leasing Account.

**LEASE DETAILS AND TIMING FOR TENANT IMPROVEMENT PAYMENTS**

The terms of the Lease at GCT require the City to pay approximately \$21.35 million in upfront TI related costs. The Landlord and the City will pay for TI work when invoiced on a proportionate basis. The Landlord will provide rent and parking abatement for months 2-16 of the lease term,



with an aggregate value of \$19.77 million and provide temporary office space on five floors and storage space on two floors at no additional cost during the construction phase of the project. The Interim Budget Appropriation allows GSD to pay upfront for TI costs per the lease agreement as the Citywide Leasing Account and Special Funded accounts were not budgeted for this expense in the current fiscal year (FY 2023-24). The total funding amount approved for the project is \$21,352,030. Of that amount, approximately \$8,756,811 is projected to be invoiced this fiscal year leaving approximately \$12,595,219 to be invoiced in FY 2024-25. However, the total appropriation amount is approved for transfer this FY. Any funds not used this FY will be reappropriated to FY 2024-25 to continue monthly TI disbursements to the Landlord.

### **COST SUMMARY/BREAKDOWN**

The cost of the new lease including TI and rent will be split amongst departments that use Special Funds and General Funds. Special Funded departments will pay their pro rata share of the TI based on staff numbers and square footage assigned. The General Funded departments will be covered by the Citywide Leasing Account at 36.85% and the Special Funded portion is 63.15% and is broken down as follows:

- LAHD 48.46% (Special Funded\*)
- EWDD 14.69% (Special Funded)
- Office of Finance (OOF) 18.14% (General Funded)
- Community Investment for Families (CIFD) 8.75% (General Funded)
- Youth Development (YDD) 3.86% (General Funded)
- Common Space 4.77% (General Funded)
- Unallocated 1.33% (General Funded)

The TI cost breakdown, shown below, indicates that the LAHD Special Funds will repay \$10.3 million, EWDD will repay \$3.1 million, and the General Funded Citywide Leasing Account will repay \$7.9 million back to the **General Fund** to cover the total budget appropriation amount of \$21.35 million. Within those repayment amounts, departments are paying the remaining TI costs not offset by the parking and rent abatement credit of \$19.77 million.

<b>TI Cost Breakdown by Fund</b>				
	<b>Total</b>	<b>LAHD Spec. Fund</b>	<b>EWDD Spec. Fund</b>	<b>Citywide Leasing Gen. Fund</b>
Rentable SF %	100.000%	48.466%	14.685%	36.849%
Interim Budget Approp. (TI)	\$21,352,030	\$10,348,553	\$3,135,492	\$7,867,986
Free Rent Value	\$19,773,392	\$9,583,445	\$2,903,673	\$7,286,275
TI Less Free Rent	\$1,578,638	\$765,108	\$231,819	\$581,711

*\*Note: GSD was recently informed that while LAHD has been paying 100% of their space out of their Special Funds, they are reassessing if any of their space should be paid out of the General Fund. However a full review and analysis has not been completed. GSD will work with the CAO and LAHD on any adjustments that may be needed.*

**REPAYMENT PLAN**

The CAO has met with budget representatives from LAHD and EWDD to confirm the timing, amounts, and mechanism of repayment to the General Fund. Both departments have indicated that rent payments made to GSD are eligible expenses under their Special Fund sources. GSD will invoice departments for rent for the use of swing space and then the permanent space once construction is completed. Payment will commence in July of 2024 and extend until April, 2026 when the rent abatement period ends. These scheduled payments will fully repay the General Fund for the departments' portions of tenant improvements costs. During this time departments will not pay rent directly to the Landlord. In May of 2026, LAHD and EWDD will commence paying the landlord directly for their portion of rent.

Rent paid to GSD will be deposited into its Revenue Account, Fund 100, Dept 40, Revenue Source Code 5301 "Reimbursement From other Funds". GSD will work with the CAO to transfer the collected rent back to the appropriate General Fund Account as the Interim Budget Appropriation repayment.

- LAHD Special Funds payments will occur September of 2024 and 2025 as lump sums
- EWDD's Special Fund payments will occur monthly
- The Citywide Leasing Account repayments will occur at the beginning of each fiscal year through the budget process.

FY	Lease Mo.	Repayment Timing		Total	LAHD Spec Fund	EWDD Spec Fund	Citywide Leasing Gen Fund
FY 2024 -25		July	2024	\$3,024,310		\$33,117	\$2,991,193
		August	2024	\$33,117		\$33,117	
		September	2024	\$3,967,354	\$3,934,237	\$33,117	
		October	2024	\$33,117		\$33,117	
		November	2024	\$33,117		\$33,117	
	0	December	2024	\$33,117		\$33,117	
	1	January	2025	\$33,117		\$33,117	
	2	February	2025	\$192,042		\$192,042	
	3	March	2025	\$192,042		\$192,042	
	4	April	2025	\$192,042		\$192,042	
	5	May	2025	\$192,042		\$192,042	
	6	June	2025	\$192,042		\$192,042	
FY 2025 -26	7	July	2025	\$5,068,835		\$192,042	\$4,876,793
	8	August	2025	\$192,042		\$192,042	
	9	September	2025	\$6,606,358	\$6,414,316	\$192,042	
	10	October	2025	\$192,042		\$192,042	
	11	November	2025	\$192,042		\$192,042	
	12	December	2025	\$192,042		\$192,042	
	13	January	2026	\$197,802		\$197,802	
	14	February	2026	\$197,803		\$197,803	
	15	March	2026	\$197,803		\$197,803	
	16	April	2026	\$197,803		\$197,803	
	17	May	2026	\$0			
	18	June	2026	\$0			
<b>TOTALS</b>				<b>\$21,352,031</b>	<b>\$10,348,553</b>	<b>\$3,135,492</b>	<b>\$7,867,986</b>

**RECOMMENDATION**

That the Municipal Facilities Committee note and file this report.



Tony M. Royster  
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