

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 12

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

May 30, 2024

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

Attention: Jason Lopez, Legislative Assistant

REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A SUBLEASE AGREEMENT WITH NORDSTROM, INC. FOR TEMPORARY OFFICE SPACE AT 700 SOUTH FLOWER STREET, LOS ANGELES, CA 90017 AND ASSOCIATED PARKING LICENSES WITH NREA TRC 700 LLC AND PARKING CONCEPTS, INC.

The Department of General Services (GSD) requests authority to negotiate and execute a sublease agreement with Nordstrom, Inc. (Nordstrom) for office space and staff parking located at 700 South Flower Street, Los Angeles, CA 90017, in Council District 14, for the Los Angeles Housing Department (LAHD) and the Office of Finance (OOF) to use as a temporary office space as part of the Garland Relocation Project.

Additionally, GSD requests authority to negotiate and execute a parking license for an approximate total of 130 parking spaces with the master landlord NREA TRC 700 LLC and the onsite parking provider Parking Concepts, Inc.

BACKGROUND

LAHD and OOF fully vacated the Garland Building located at 1200 West 7th Street, Los Angeles, CA 90017 at the beginning of February 2024 due to the expiration of the lease on February 29th. LAHD's Employee Services Unit (five employees) was relocated to temporary office space at 1910 Sunset Boulevard, Suite P2, Los Angeles, CA 90026 while LAHD's Rent Stabilization, Code Enforcement and Compliance Divisions (totaling over 70 employees) were relocated to temporary co-working office space at 444 South Flower Street, Los Angeles, CA 90071 (Industrious). All other LAHD staff who worked at the Garland Building (approximately 400 employees) are currently teleworking 100% at this time. Additional temporary co-working office space is needed for these employees while the lease for the permanent location is pending execution. LAHD has indicated a need for approximately 80 workstations.



OOF was temporarily assigned to use City Hall Room 1020 for their Billing and Collection group of 30 staff. The space was necessary to use during their busy tax season, but lacks enough workstations for the entire group for the next 12-18 months. There is also insufficient space for other OOF staff at Industrious. The department has indicated they need 50 additional workstations for the Billing and Collections group and other staff.

GSD, via its contracted broker CBRE, searched for additional temporary office space which yielded eight potential short term options. Three short list options were selected after the departments toured five of the prospective locations. An RFP was issued to the three prospective landlords or their brokers for formal pricing and terms. The recommended location was identified through this RFP process.

This sublease opportunity with Nordstrom for 21,500 square feet (SF) of furnished “plug-and-play” office space at 700 S. Flower St. meets the combined needs of 130 additional workstations for these two departments. Both LAHD and OOF have advised that this option is acceptable for their short-term office solution.

TERMS AND CONDITIONS

The sublease is for 21,500 square feet of space for an 18-month term and includes the right for the City to terminate 12 months following the commencement date upon 45-day prior written notice at no additional cost. The proposed monthly rental rate is \$2.08 per square foot (sf) or \$44,792. Onsite parking is available at \$320 per stall during the sublease term under a separate license agreement with the master landlord and parking operator.

The temporary space will be substantially ready to occupy as-is. Only minor improvements are needed and are described below in the Tenant Improvements section of this report.

Additional terms and conditions are outlined on the attached term sheet.

PARKING

Parking is available on-site for \$320 per monthly pass. LAHD and OOF will utilize on-site unreserved parking spaces through the sublandlord authority for 86 spaces payable to Parking Concepts, Inc., the remaining approximately 42 unreserved spaces would be made available by the master landlord at the same rate of \$320 per space and two reserved parking spaces at \$440. A one time set up fee of \$40 is applicable to all parking passes. The approximate total of 130 parking spaces will cost \$41,8400 per month payable to the master landlord NREA TRC 700 LLC or the master landlord’s parking provider Parking Concepts, Inc. under separate agreements concurrent with the sublease term.

MARKET ANALYSIS

Based on recent market analysis for similar types of properties/uses in this area, the monthly fair market rental rate ranges from approximately \$2.00 to \$2.92 per sf. The

negotiated rate for this agreement is \$2.08 per sf. Parking costs also vary from \$320 to \$441 per stall.

Address	Rental Rate	Rentable Sq. Footage	Lease Term
300 S. Grand	\$2.92	24,739	18 mo. (Option to cancel at 12 mo.)
555 W. 5th St.	\$2.00	28,007	33 mo.
700 S. Flower	\$2.08	21,500	18 mo. (Option to cancel at 12 mo.)

TENANT IMPROVEMENTS

Existing furniture and equipment are provided under this sublease for immediate use, including but not limited to built-in and freestanding workstations, desks, chairs, tables, credenzas, shelving, filing cabinets, lockers, couches, appliances, flat-screen desktop monitors, desktop monitor mounts, audio-visual equipment, network switches and racks.

While the temporary office space is in substantially ready-to-use condition, some minor tenant improvements are needed to meet the departments’ needs. Improvements will include modifying the current telecommunication/server room to accommodate LAHD server racks with associated equipment and other data network costs. The server room modifications are estimated to cost \$150,000 while the equipment and data network costs are estimated at \$77,777 for a total one-time cost of \$227,777.

FISCAL IMPACT

The cost of this project will be split between LAHD Special Funds (61.5%) and the Citywide Leasing Account (38.5%), since the OOF Leasing costs are covered by the General Fund. The 2024-25 Fiscal Year Budget request for the Citywide Leasing Account did not include the \$508,361 of funding needed for this lease, however, expected savings from the current fiscal year may be reappropriated to cover this cost.

700 S. Flower Projected Expenses					
	Monthly Proposed Costs	12 Month Costs	LAHD Spec Fund @ 61.5%	Citywide Leasing @ 38.5%	2024-25 Estimated (Shortfall)
Rent	\$ 44,792	\$ 537,500	\$ 330,563	\$ 206,938	\$ (206,938)
On-Site Parking	\$ 41,840	\$ 509,760	\$ 313,502	\$ 196,258	\$ (196,258)
Parking Setup Fee	\$ 5,200	\$ 5,200	\$ 3,198	\$ 2,002	\$ (2,002)
Tenant Improvement & IT		\$ 227,777	\$ 140,083	\$ 87,694	\$ (87,694)
Move Costs		\$ 40,182	\$ 24,712	\$ 15,470	\$ (15,470)
TOTAL	\$ 91,832	\$ 1,320,419	\$ 812,058	\$ 508,361	\$ (508,361)

RECOMMENDATIONS

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services,

1. To negotiate and execute a new sublease agreement for office space with Nordstrom, Inc. at 700 S. Flower Street, Los Angeles, CA 90017 under the terms and conditions substantially outlined in this report;
2. To negotiate and execute a new parking license agreement with NREA TRC 700 LLC for unreserved parking spaces at 700 S. Flower Street, Los Angeles, CA 90017 under the terms and conditions substantially outlined in this report;
3. To negotiate and execute a new parking license agreement with Parking Concepts, Inc. for unreserved parking spaces at 700 S. Flower Street, Los Angeles, CA 90017 under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachments: Sublease Term Sheet
Parking Term Sheet

SUBLEASE TERM SHEET

MFC DATE

May 30, 2024

SUBLANDLORD

Nordstrom, Inc. and Parking Concepts, Inc.*

*Monthly parking charges to rent up to eighty-six (86) unreserved onsite parking spaces under the Sublease are payable to the building's parking operator, Parking Concepts, Inc. In addition, the City will also need to enter into a separate parking license agreement with the Master Landlord, NREA TRC 700 LLC, to rent up to forty-four (44) additional unreserved parking spaces, which will also be payable to Parking Concepts, Inc.

ADDRESS

Nordstrom Inc.
1700 Seventh Avenue, Suite 1000
Seattle, WA 98101-4407
Attention: Lease Administration, Store #874

SUBTENANT

City of Los Angeles

ADDRESS

111 E. 1st St., Room 201, Los Angeles, CA 90012

LOCATION

700 S. Flower St., 16th Floor Los Angeles, CA 90017

AGREEMENT TYPE

Sublease from Sublandlord

USE

Temporary Office Space

SQUARE FEET

21,500 RSF

SUBLEASE TERM

Approximately eighteen (18) months commencing on approximately 7/1/24 and expiring 12/31/25, with a continuous City option to terminate on the later of 7/1/25 or the 1st anniversary of the Commencement Date on forty-five (45) days notice at no cost.

EARLY POSSESSION

Delivery of the Premises on the later of (i) execution and delivery of the Sublease, (ii) the date Master Landlord, Sublandlord, and City have entered into Consent to Sublease, (iii) the date of City Council and Mayor Approval, and (iv) Sublandlord's completion of Sublandlord's work, the City's cabling work and delivery of furniture, fixtures, equipment, and decor.

RENT START DATE

7/1/24 (estimated)

LEASE START DATE

7/1/24 (estimated)

OPTION TERM

None

HOLDOVER	TBD
SUBLET/ ASSIGNMENT	Subject to the terms of the Master Lease
TERMINATION	Continuous City option to terminate commencing on the later of 7/1/25 or the 1st anniversary of the Commencement Date on forty-five (45) days notice at no cost
RENTAL RATE	\$2.08 per RSF/Mo on an Absolute Gross lease basis
ESCALATION	Three percent (3.0%) on the 1st anniversary of the commencement date
RENTAL ABATEMENT	None
ADDITIONAL RENT	None (Absolute Gross Lease)
PROPERTY TAX	None (Absolute Gross Lease)
OPEX	None (Absolute Gross Lease)
CAM	None (Absolute Gross Lease)
OTHER	N/A
SECURITY DEPOSIT	None (To be confirmed)
MAINTENANCE/ REPAIR	Per the terms of the Master Lease (generally, Sublandlord maintains premises, Master Landlord maintains building common areas)
MAINTENANCE/ REPAIR DETAILS	Per the terms of the Master Lease
TENANT IMPROVEMENTS	AS-IS
PARKING	City right, but not the obligation to sublease up to four (4) unreserved parking passes per 1,000 RSF of the Premises [eighty-six (86) spaces] at the prevailing building unreserved monthly parking rate of \$320.00 per stall per month, including parking tax, payable to Parking Concepts, Inc. The City will enter into a separate parking license agreement with the Master Landlord for an additional up to forty-four (44) unreserved spaces at the prevailing building unreserved monthly parking rate of \$320.00 per stall per month, including parking tax, also payable to Parking Concepts, Inc., for a term concurrent with the Sublease Term.
UTILITIES	To be provided by the Master Landlord per the terms of the Master Lease
CUSTODIAL	To be provided by the Master Landlord per the terms of the Master Lease
SECURITY	To be provided by the Master Landlord per the terms of the Master Lease

PROP 13
PROTECTION

Yes (Absolute Gross Lease)

INSURANCE
(City)

Self-Insurance accepted by Sublandlord and Master Landlord

OTHER:

Sublandlord shall deliver the Premises in "Plug and Play" condition, and Subtenant shall have the right to use all of Sublandlord's existing furniture, equipment, and décor in the Premises at no cost to Subtenant

PRINT:

SIGNATURE:

PARKING TERM SHEET

MFC DATE

May 30, 2024

LANDLORD

NREA-TRC 700 LLC payable to parking operator, Parking Concepts, Inc.

ADDRESS

Parking Concepts, Inc., 12 Mauchly, Building I, Irvine, CA 92618

SUBTENANT

City of Los Angeles

ADDRESS

111 E. 1st St., Room 201, Los Angeles, CA 90012

LOCATION

700 S. Flower St., Los Angeles, CA 90017

AGREEMENT TYPE

Parking License

USE

Parking

SQUARE FEET

N/A

LICENSE TERM

Approximately eighteen (18) months commencing on approximately 7/1/24 and expiring 12/31/25, with a continuous City option to terminate on the later of 7/1/25 or the 1st anniversary of the Commencement Date on forty-five (45) days notice at no cost.

EARLY POSSESSION

Access to parking upon sublease commencement

RENT START DATE

7/1/24 (estimated)

LEASE START DATE

7/1/24 (estimated)

OPTION TERM

None

HOLDOVER

TBD

SUBLET/
ASSIGNMENT

N/A

TERMINATION

Continuous City option to terminate commencing on the later of 7/1/25 or the 1st anniversary of the Commencement Date on forty-five (45) days notice at no cost

RENTAL RATE	N/A
ESCALATION	None
RENTAL ABATEMENT	None
ADDITIONAL RENT	None
PROPERTY TAX	None
OPEX	None
CAM	None
OTHER	N/A
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	To be provided by the Landlord
MAINTENANCE/ REPAIR DETAILS	To be provided by the Landlord
TENANT IMPROVEMENTS	None
PARKING	Right to use up to forty-four (44) unreserved spaces at fixed unreserved monthly parking rates of \$320.00 per stall per month, with a City option to designate up to two (2) spaces within the allocation above as reserved spaces at fixed monthly parking rates of \$440.00 per stall per month, including parking taxes, payable to Parking Concepts, Inc., for a term concurrent with the Nordstrom Sublease Term.
UTILITIES	To be provided by the Landlord
CUSTODIAL	To be provided by the Landlord
SECURITY	To be provided by the Landlord
PROP 13 PROTECTION	Yes
INSURANCE (City)	Self-Insurance accepted by Landlord
OTHER:	One-time parking key card issuance/activation cost of \$40.00 per card
PRINT:	