

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council File No.
Council District: Various

To: Municipal Facilities Committee

From: CAO Staff, Office of *Justin D. Lawson* the City Administrative Officer

Subject: **FISCAL YEAR 2023-24 FOURTH QUARTERLY STATUS REPORT – CITYWIDE LEASING PROGRAM**

RECOMMENDATION

Note and file this report.

SUMMARY

The Fourth Quarterly Status Report provides a general update and overview of the Citywide Leasing Program (Program), including unfunded leasing liabilities through the end of Fiscal Year (FY) 2023-24 and potential surplus funding to address these liabilities. As presented in the Discussion section of this report, there is a projected year-end surplus of \$5.32 million for the FY 2023-24 Program based on the FY 2023-24 Adopted Budget, including the FY 2022-23 Program reappropriation, and less any unfunded liabilities for FY 2023-24.

DISCUSSION

A. FY 2023-24 Citywide Leasing Program

The FY 2023-24 Program consisted of authorized funding in the amount of \$25.9 million for the Citywide Leasing Program. In addition, the FY 2022-23 year-end Program reappropriated an additional \$1.0 million, for a total revised budget of \$26.9 million as summarized in the chart below (Column C). Based on FY 2023-24 projected expenses of \$21.6 million (Column D), the year-end balance (Column E) is projected to result in a year-end surplus of \$5.32 million.

2023-24 Adopted Budget (A)	2022-23 Reappropriation (B)	2023-24 Revised Budget (A) + (B) = (C)	2023-24 Expenses (D)	Projected Year-End Balance (C) - (D) = (E)
\$25,915,655	\$1,000,830	\$26,916,485	\$21,596,869	\$5,319,616

The total of FY 2023-24 leases with a surplus and shortfalls are summarized in the chart below, and detailed in Attachment A. Column A reflects the total of all leases with shortfalls and column B reflects the total of all leases with a surplus in Attachment A. Column C reflects the aggregate total of \$5.32 million projected at year-end.

Total Leases with a Surplus (A)	Total Leases with a Shortfall (B)	Aggregate Total (A) + (B) = (C)
\$9,066,886	(\$3,747,270)	\$5,319,616

B. FY 2023-24 Projected Leasing Surplus

The cumulative total of all leases with a projected surplus for FY 2023-24 is \$9.07 million. Significant projected surpluses over \$500,000 within the FY 2023-24 Citywide Leasing Account are summarized below and detailed in Attachment A listing all surpluses:

- The surplus for the Bureau of Sanitation lease at 450-590 South Central Avenue totals \$4.0 million and reflects the full funding budgeted for the lease and tenant improvements. Since the April 2024 status update report to the Municipal Facilities Committee, this surplus has increased by \$1.39 million from \$2.6 million to \$4.0 million due to a delay in the execution of the lease that will now occur in FY 2024-25.
- The year-end surplus for the FY 2022-23 Program totals \$1.0 million based on the General Services Department’s Citywide Leasing Reconciliation, largely due to lease cancellations and interim transfers of funding offsets.
- The surplus for the Garland Building relocation reflects savings of \$887,619 that will be encumbered and expended on relocation costs in FY 2024-25.
- The surplus of \$812,528 for the Department of Transportation lease at 100 South Main Place reflects savings due to a reduced rental rate.

C. FY 2023-24 Projected Leasing Shortfalls

The cumulative total of all leases with a projected shortfall for FY 2023-24 is \$3.1 million. Significant projected shortfalls within the FY 2023-24 Citywide Leasing Account are summarized below and detailed in Attachment A:

- The shortfall for the Garland Building decommissioning totals \$1.8 million for decommissioning and moving costs.

D. Revisions Since Prior Status Update

The revised year-end projected remaining balance of \$5.32 million is \$4.51 million more than the \$811,100 reported in the prior status update report due to the delay in the execution of a number of leases and savings presented in Attachment A (Items A1 – A8).

E. Proposed Use Surplus Balance

The remaining balance of \$5.32 million for the projected surplus will be retained to offset a budget reduction to the FY 2024-25 Leasing Account Budget and to address future unfunded liabilities in FY 2024-25 included below.

- The FY 2024-25 Adopted Budget included an \$830,000 reduction to the Leasing Budget as the April 2024 status update report reflected a proposed surplus balance of that amount that will address the funding reduction.
- The FY 2024-25 shortfall for the Los Angeles Police Department at 6230 South Gramercy Place totals \$4.73 million for one-time expenditures for the new proposed leased facility. The surplus will be used to partially offset this projected lease costs.

FISCAL IMPACT

The recommendation stated in this report will have no additional impact to the General Fund for the FY 2023-24 Citywide Leasing Program.

FINANCIAL POLICY COMPLIANCE

The recommendation in this report complies with the City's Financial Policies in that to the extent possible, current operations will be funded by current revenues.

DP:JDL/LRR:05240148

Attachment A

2023-24 Detail of Leasing Account Projection

Item No.	Department Occupant(s)*	Lease Property	2023-24 Revised Budget	2023-24 Revised Expenses	Surplus / (Deficit)	Comment
A1	Bureau of Sanitation	450-590 South Central Avenue	4,000,000	-	4,000,000	Surplus reflects remaining funding budgeted for the lease and tenant improvements.
A2	N/A	N/A	\$ 1,000,830	\$ -	\$ 1,000,830	Reappropriation from 2022-23 Citywide Leasing Account.
A3	Various	Garland Building Relocation	1,896,658	1,009,039	887,619	Surplus due to savings that will be encumbered and expended in 2024-
A4	Department of Transportation	100 South Main Place	3,348,997	2,536,469	812,528	Surplus due to reduced rental rate.
A5	Los Angeles Fire Department	Firestation #40	489,876	52,180	437,696	Surplus due to POLA leases not being executed in 2023-24.
A6	Civil + Human Rights and Equity Department	250 East First Street	420,000	-	420,000	Surplus due to lease not being executed in 2023-24.
A7	Council District Five	5416 Wilshire	317,038	-	317,038	Surplus due to lease not being executed in 2023-24.
A8	Los Angeles Fire Department	Firestation #112	265,751	-	265,751	Surplus due to POLA leases not being executed in 2023-24.
A9	Department of Transportation	888 Vermont Avenue	1,558,922	1,322,266	236,656	Surplus due to additional CAM savings.
A10	Department of Transportation	1111 South Mateo	1,151,008	1,003,994	147,014	Surplus due to parking and CAM savings from delayed move in.
A11	Los Angeles Police Department	350 South Figeroua	546,184	424,886	121,298	Surplus due to amended lease with two months of rent abatement.
A12	Department of Transportation	1201 South Mateo	866,581	773,093	93,488	Surplus due to parking and CAM savings from delayed move in.
A13	Council District 12	9207 Oakdale Avenue	207,259	141,657	65,602	Surplus due to CAM savings from new lease execution.
A14	Information Technology Agency	Verdugo Peak	60,000	-	60,000	Surplus due to lease not being executed in 2023-24.
A15	Office of Finance	1200 West 7th Street	66,875	19,896	46,980	Surplus due to operational and CAM savings.
A16	Los Angeles Fire Department	Firestation #49	45,381	-	45,381	Surplus due to POLA leases not being executed in 2023-24.
A17	Los Angeles World Airports	11701 La Cienega	421,351	387,016	34,335	Surplus due to savings from monthly rent.
A18	Office of Finance	1200 West Seventh Street	1,685,153	1,656,420	28,733	Surplus due to various sundries and parking savings.
A19	General Services Department	Lots 601 and 620 at 14401 Friar Street	192,000	163,440	28,560	Surplus due to parking savings related to COVID.
A20	Department of Transportation	5990 Sepulveda Boulevard	159,750	144,029	15,721	Surplus due to parking and CAM saving from delayed to lease initiation.
A21	Mayor's Office	1000 Vermont Avenue NW, Suite 250	\$ 80,187	\$ 78,531	1,656.00	Surplus due to lease renewal terms.
SURPLUS TOTAL			\$ 18,779,802	\$ 9,712,916	\$ 9,066,886	
A22	Council District 15	970 West 190th Street	\$ -	\$ 7,000	(7,000)	Shortfall due to new field office for Council District 15.
A23	Department of Transportation	1575 Westwood	42,076	53,651	(11,575)	Shortfall due to new lease with increased rent costs.
A24	City Attorney / Los Angeles Police Department	100 Oceangate	157,958	172,697	(14,739)	Shortfall due to reconciled CAMs from 2019-2022.
A25	Department of Transportation	1016 N. Mission Road	\$ 1,723,366	\$ 1,738,517	\$ (15,151)	Shortfall due to lease renewal terms.
A26	Van Nuys Heliport	Van Nuys Heliport	846,348	864,185	(17,837)	Shortfall due to increase in monthly rental rate from LAWA.
A27	Community Investment for Families Department	1200 West Seventh Street	485,665	503,842	(18,177)	Shortfall due to various sundries and parking expenses.
A28	Los Angeles Police Department	5759-71 Rickenbacker Road	453,356	472,505	(19,149)	Shortfall due to increase in operating expenses.
A29	Council District 6	9300 Laurel Canyon	\$ 94,540	\$ 123,355	(28,815)	Shortfall due to increased TI costs.
A30	Council District 14	500 South Central Avenue	\$ -	\$ 34,850	(34,850)	Shortfall due to temporary business resource center for Council District 14.
A31	Los Angeles Fire Department	4600 Carter Drive	3,662	40,329	(36,667)	Shortfall due to new lease terms.
A32	Mayor's Office	112 L Street, Sacramento, CA	-	51,510	(51,510)	Shortfall due to costs of new lease for Sacramento field office.
A33	Los Angeles Fire Department	7921 Woodley Avenue	133,200	203,437	(70,237)	FS No. 90 / Shortfall due to increase in monthly rental rate from LAWA.
A34	Los Angeles Police Department	4125 Crenshaw Boulevard	289,619	374,396	(84,777)	Shortfall due to increased cost of lease.
A35	Council District 1	1137 West 6th Street	69,000	173,269	(104,269)	Shortfall due to increased TI costs.
A36	Council District 5	6380 Wilshire Boulevard	106,415	226,780	(120,365)	Shortfall due to early termination extension of six months.
A37	Council District Two	5250 Lankershim Boulevard	-	383,669	(383,669)	Shortfall due to costs associated with relocation as the original site was sold for redevelopment.
A38	Various	Various	3,731,478	4,658,359	(926,881)	Shortfall due to various expenses.
A39	Various	Garland Building Decommissioning	-	1,801,602	(1,801,602)	Shortfall due to additional decommissioning, moving, and tenant improvement costs.
SHORTFALL TOTAL			\$ 8,136,683	\$ 11,883,953	\$ (3,747,270)	
GRAND TOTAL			\$ 26,916,485	\$ 21,596,869	\$ 5,319,616	