

MUNICIPAL FACILITIES COMMITTEE
Minutes from the Regular Meeting of June 27, 2024

MEMBERS: Matthew Szabo, Office of the City Administrative Officer, Chair (CAO)
Matias Farfan, Office of the Chief Legislative Analyst (CLA)
Bernyce Hollins, Office of the Mayor (Mayor)

The meeting was called to order at 10:14 a.m.

General Public Comment No public comment.

Item 6 Quarterly Status Report from CAO on the Citywide Leasing Account.

Disposition: Noted and filed.

Matthew Szabo, CAO, requested that Items No. 6 be taken out of order to precede Item No. 1.

Justin Lawson, CAO, provided an overview of the status of the Citywide Leasing Account for 2023-24. Mr. Lawson highlighted that the year-end surplus is projected to be \$5.3 million, calculated from total leases with a surplus of about \$9 million and a shortfall of \$3.7 million. Mr. Lawson added that the savings are largely due to several leases not being executed in 2023-24. Mr. Lawson emphasized that the surplus of \$5.3 million is significant as the previous report projected \$811,100. The projected surplus will be reappropriated in 2024-25 to address a projected \$830,000 Leasing Budget reduction and unfunded tenant improvement of \$4.7 million for the Los Angeles Police Department (LAPD) at 6230 South Gramercy Place. Mr. Lawson noted that this will leave the Leasing Account with roughly a \$200,000 shortfall on July 1st; however, additional savings are expected to cover the shortfall in 2024-25.

Bernyce Hollins, Mayor, requested clarification on the primary factor for the \$3.7 million shortfall. Zachary Millet, GSD, clarified that the largest contribution to the shortfall was the \$1.8 million for the Garland Relocation Project in which savings were identified to cover the cost. Ms. Hollins asked for confirmation on whether the rest of the shortfall was due to normal fluctuations. Mr. Millet confirmed and added that several tenant improvement costs for transitions of the Council Offices were above the estimation.

Matias Farfan, CLA, inquired whether the total shortfall would include one-time costs rather than on-going costs and structural deficit for the Garland Building Project. Mr. Millet responded that the costs were due to one-time costs for relocating and short-term on-going costs for storage.

Mr. Szabo asked for confirmation that the savings for the Bureau of Sanitation (LASAN) lease was a timing issue. Mr. Millet confirmed that the project execution was slightly delayed due to the complexity of the project. Mr. Szabo inquired as to how much of the \$4 million was for the lease and how much was for the LASAN lease tenant improvement. Mr. Millet responded that he recalls that most of the costs were related to tenant improvements.

Item 1 Minutes of the May 30, 2024 Regular Meeting.

Disposition: Approve on consent.

Item 2 Report from the Department of General Services (GSD) requesting authority for the direct sale of Own a Piece of Los Angeles remnant parcel, Assessor Parcel Number 2222-002-900, adjacent to 7915 Sepulveda Boulevard, in Council District 6, to an adjoining property owner.

Disposition: Approved on consent.

Item 3 Report from GSD requesting authority to negotiate and execute a non-profit license agreement with LA's BEST to provide administrative support for after-school programming at City Hall, 16th Floor, Suite 1613, in Council District 14, subject to Council and Mayor approval.

Disposition: Approved on consent.

Item 4 Report from GSD requesting authority to negotiate and execute a no-cost license agreement with the Children's Institute of Watts to provide office space for the LAPD's Community Safety Partnership Bureau at 10200 Success Street, in Council District 15, to provide youth outreach services, subject to Council and Mayor approval.

Disposition: Approved on consent.

Item 5 Report from GSD requesting authority to execute a Joinder to Assignment and Assumption of Theatre Lease agreement between H&H Theatre Owner, LLC, and Jeps Hollywood Entertainment, LLC, consenting to the lease transfer for the continued use of the Dolby Theatre located at 6801 Hollywood Boulevard, in Council District 13, subject to Council and Mayor approval.

Disposition: Approved on consent.

Item 8 Report from the Bureau of Engineering (BOE) on the Phase I status and Phase II scope of work for the Citywide Yards and Shops Master Plan Study.

Disposition: Item continued to the next meeting.

Item 7 Report from GSD providing a status update on the City Hall East and Los Angeles Mall security fencing and gate project to secure access to the Los Angeles Mall area outside of regular business hours.

Disposition: Noted and filed.

Eric Robles, GSD, provided an overview of the status of the security fencing and gate project at City Hall East and the Los Angeles Mall. Mr. Robles stated that all materials have been ordered and anticipated to be delivered within the first quarter of 2024-25. Mr. Robles continued by adding that additional funding of \$270,000 is needed to address a project shortfall. Mr. Robles concluded by adding that the project is anticipated to be completed within six months of receiving funding.

Bernyce Hollins, Mayor, gave thanks for expediting the report back to the MFC as there had been security issues raised by the Los Angeles Mall tenants. Ms. Hollins emphasized that there was a two-year delay of the implementation of the project that contributes to the shortfalls, and raised the issue that no additional funding was requested for the project in the budget cycle. Therefore, Ms. Hollins requested that cost escalation be projected before any future project implementation and any more shortfalls for this project be addressed. Mr. Robles agreed to address and report any shortfalls as soon as they become known. Ms. Hollins asked whether there have been capacities identified for the shortfalls. Albert Griego, CAO, responded that the shortfall will be addressed in the First Construction Projects Report.

Item 9 Report from CAO on a proposed Non-Profit Leasing Policy for City-Owned Facilities.

Disposition: Item continued to the next meeting.

Delilah Puche, CAO, presented an overview of the report and the proposed non-profit leasing policy, which is intended to formalize the non-profit leasing process for City properties. Ms. Puche stated that this policy would be applied to any new or renewed non-profit leases that do not have existing service agreements with the City. Ms. Puche noted that the policy was developed with the intent of reducing GSD's workload, thus additional staff are not recommended at this time.

Bernyce Hollins, Mayor, thanked staff for working on this policy, as the relationship with non-profit organizations is important and benefits the community.

Matias Farfan, CLA, inquired on the current practice for non-profit leases and whether there was an outreach conducted to the non-profit organizations regarding this policy. Mr. Farfan further asked if an inspection will be required before renewal of the lease. Ms. Puche responded that the non-profits will need to have the property inspected before the renewal and also added that she is not aware of whether GSD has done any outreach to the non-profits to let them know about the new policy. Ms. Puche also added that the flowchart will be revised to highlight which steps in the proposed Policy are new or revised.

Mr. Farfan asked for clarification on the inspection requirement by the non-profit organization as opposed to the inspection done by the City. Yolanda Chavez, CAO, stated that the inspections completed by the City and the non-profit organization differ, thus the inspection by the non-profit is required to occupy the space to mitigate any hazards. Melody McCormick, GSD, clarified that GSD assesses City-owned properties for space standards while BOE performs the facility condition assessment.

Mr. Farfan inquired as to whether the exempt departments have a policy for non-profit leases. Ms. Puche responded that proprietary departments treat the non-profit lease requests similar to other payable leases. Mr. Farfan inquired if the exempt leases have the inspection requirement. Ms. McCormick clarified that retail tenants are completely responsible for the tenant improvements in the leased space, however, animal services shelters are exempt. Ms. McCormick further added that the non-profit is responsible for the site only if it is leasing the entire site.

Mr. Farfan inquired as to the reason for also including renewal leases. Amy Benson, GSD, replied that there are many leases in holdover status so the critical issues would need to be addressed before renewal of the lease, which would require the inspection of the property.

Mr. Farfan raised the concern of added work load to the department due to the policy. Ms. Benson responded that GSD will ask for more staff if the policy goes into effect as there is no staff dedicated to non-profit leasing portfolio. Ms. McCormick added that GSD will have more work since the real estate officers will have to monitor and follow up with non-profits through the processes added.

Ms. Chavez asked if the annual report is already a requirement. Ms. McCormick stated that the annual services report is a requirement that has been added to the newer leases, but there is no maintenance report requirement. Ms. Chavez mentioned that she expects fewer non-profit organizations will be interested in leasing from the City knowing that the responsibility for tenant improvements is on the non-profit organization.

Ms. Hollins asked whether the City as the owner is liable as it is not doing periodic inspection of the property. Ms. McCormick stated that the City is exposed to the liability as it is the landlord. Ms. McCormick noted that there is no staff to review the reports and to do a site visit to mitigate the risks of occupying the space.

Mr. Farfan inquired whether there will be a standard provision that will be added to the lease. Ms. McCormick replied that the standard provision is already in the lease and that the requirement of annual report will be added to the lease. Ms. McCormick added that information extraction has been difficult unless the real estate officers continuously ask for the report submission from the non-profit organization.

Ms. Hollins asked if there will be increased workload required for the implementation of this policy as the Mayor's office will assess the rightsizing of resources and staffing. Ms. Benson stated there are 40 new non-profit leases pending to be executed, however, the holdover leases will also need to be assessed.

Mr. Farfan inquired if the new leases will be delayed. Ms. McCormick replied that there are more steps added, so the process will be delayed, and the speed of the lease execution will depend on the participation of the non-profit organization.

Matthew Szabo, CAO, asked for clarification from GSD on whether the non-profit organizations have been notified of the upcoming changes. Ms. Benson responded that non-profit organizations have not been notified yet.

Item 10 Adjournment – Next Meeting: Regular Meeting, Thursday, July 25, 2024.

The meeting adjourned at 10:55 a.m.