

MUNICIPAL FACILITIES COMMITTEE
Minutes from the Regular Meeting of August 29, 2024

MEMBERS: Yolanda Chavez, Office of the City Administrative Officer, Chair (CAO)
Sharon Tso, Office of the Chief Legislative Analyst (CLA)
Bernyce Hollins, Office of the Mayor (Mayor)

The meeting was called to order at 10:08 a.m.

General Public Comment No public comment.

Item 4 Report from the Department of General Services (GSD) on the status of the structural evaluation of City Hall East.

Disposition: Approved.

Yolanda Chavez, CAO, requested that Item No. 4 be taken out of order to precede Item No. 1.

Paul Merritt, GSD, provided a brief summary of the structural evaluation of City Hall East. Manan Bhalja, BOE, explained that the columns have cracks due to water damage; therefore, BOE recommends hiring a consultant for an in-depth evaluation.

Bernyce Hollins, Mayor, asked whether there is a rough order of magnitude (ROM) for potential repairs. Mr. Merritt responded that a ROM estimate is not available yet and that there will be a need for shoring and some demolition. Mr. Merritt added that Goss Construction's evaluation is estimated at \$20,750. Ms. Hollins inquired whether the source of funds have been identified for the initial work. Mr. Merritt stated that GSD is working with CAO to identify the funds and clarified that the \$20,750 will be funded through GSD's internal funding. Ms. Hollins asked when the results of the evaluation will be available as it is needed to inform funding decisions for the upcoming budget cycle. Mr. Merritt replied that GSD will reach out to the contractors regarding the timeline and the ROM estimate.

Sharon Tso, CLA, asked for clarification on the location of the damage. Mr. Bhalja responded that the damage was found on all underground levels, but level F-2 had the most severe damage. Ms. Tso inquired whether the columns are supporting the courtyard or the building. Mr. Bhalja clarified that the damaged columns are supporting the building.

Ms. Tso inquired whether there was anything identified last year during the annual evaluation of the Non-Ductile Building inspection. Mr. Merritt replied that no damage was identified in the last annual evaluation.

Yolanda Chavez, CAO, asked whether the consultant can provide the ROM estimate by the end of September. Mr. Merritt responded that some findings may be available by the end of September and he will push the consultants to speed up the process. Ms. Chavez requested that any updates for this report be added to September MFC Agenda.

Item 1 Minutes of the July 25, 2024 Regular Meeting.

Disposition: Approved on consent.

Item 2 Quarterly Status Report from the Bureau of Engineering on the Taylor Yard G2 River Park project.

Disposition: Noted and filed on consent.

Item 3 Annual utilization report from GSD on the Asset Management System.

Disposition: Noted and filed on consent.

Item 5 **Continued from July 25, 2024:** Report from GSD requesting authority to negotiate and execute a lease amendment with HAAS BHCP Property Owners, LLC, for the Los Angeles Police Department (LAPD) South Traffic Division for office space at 4125 Crenshaw Boulevard, Unit 193, in Council District 8, subject to Council and Mayor approval.

Disposition: Approved as amended, to instruct GSD to revise the term sheet to reflect the correct escalation rate of three percent.

Yolanda Chavez, CAO, requested GSD to clarify the date of the extension. Lisa Schechter, GSD, provided a brief summary of the report and clarified that the lease extension is from October 1, 2025, through March 31, 2027. Amy Benson, GSD, added that since the last meeting, the report has been revised to reflect the additional six-month extension agreed upon by the landlord.

Sharon Tso, CLA, thanked GSD for the clarification and asked whether the escalation rate is three or nine percent. Ms. Schechter, GSD, clarified that the term sheet should state three percent.

Item 6

Continued from July 25, 2024: Report from GSD requesting authority to negotiate and execute a lease agreement with Gage/St. Andrews Properties, LLC, for LAPD South Traffic Division for office and industrial space at 6230 South Gramercy Place, in Council District 8, subject to Council and Mayor approval.

Disposition: Approved.

Amy Benson, GSD, stated that the report is returning from last meeting as there were questions related to funding from the Committee. Ms. Benson explained that LAPD has done research on any available grants and confirmed that none are available. Ms. Benson affirmed that the broker has once again searched for other available options in the marketplace and none were identified. Justin Collins, Cushman & Wakefield, added that the price at the time of purchase will only be based on the land value, and excludes the City-invested improvement on the property. Ms. Benson added that the City also has the first right of purchase if the purchase option becomes available before the twelfth year.

Bernyce Hollins, Mayor, asked for clarification on the geographic area served by the South Traffic Division. Jeffry Phillips, LAPD, clarified that South Traffic Division serves all of South Bureau, which extends from San Pedro to North of the 10 Freeway and from La Cienega to the Alameda Corridor.

Sharon Tso, CLA, asked whether the owner of the property already has a plan in place so that the construction can be completed before March 31, 2027. Mr. Collins responded that the landlord's architect prepared an initial space plan, but there are no permits or construction drawings yet. Brandon Burn, Cushman & Wakefield, replied that the permits should be ready in a few months and complete delivery is expected after 12 months. Ms. Tso inquired for the reason that the purchase option is available after the 12 years. Mr. Collins responded that the landlord would like to incur revenue from the lease cost through the duration at a minimum for 15 years, but the City negotiated for decreased timeline in which the landlord has agreed to providing the purchase option at year 12.

Ms. Tso inquired whether the building being constructed will be amortized over 10 or 15 years. Mr. Collins stated that the building is amortized over 10 years and the project cost estimated at \$11 million is conservative in comparison to the initial ROM estimate of \$9 million. Ms. Tso asked how a cost overrun will be addressed. Mr. Collins replied that there is a cap not to exceed \$11 million and the landlord will be responsible for any additional cost overrun.

Ms. Tso addressed a concern that the City needs protection against changes that the landlord may make to mitigate the cost if those changes do not meet LAPD's standards and needs. Mr. Collins stated that there is a large buffer for contingency in case value engineering is required. Ms. Benson added that any changes must be approved by LAPD. Ms. Tso further asked whether the City can terminate the lease if the landlord made changes to the plan that do not meet the LAPD's specification. Mr. Collins replied that termination right has not been discussed as part of the negotiation addressed in the letter of intent, but it will be addressed in the lease document.

Ms. Tso inquired whether the amortized tenant improvement cost is based on the \$11 million. Mr. Collins responded that the amortized cost is based on \$9 million, as the City will initially pay \$2 million. Ms. Tso further asked whether the City is obligated to pay the rest of \$9 million or only required to pay what is needed for the tenant improvements. Mr. Collins responded that the City is only required to pay what is needed.

Yolanda Chavez, CAO, asked about the already existing garage on site. Mr. Burn stated that there are two tenants on the property that are willing to move out due to topographic challenges. Mr. Collins added that the landlord is responsible for delivering the site and correct any deficiencies. Ms. Chavez inquired that 230 parking spaces will be included at the site and whether any extra spaces can be used for other remaining LAPD's parking needs. Mr. Philips explained that the parking spaces will be sufficient for fleet and personnel parking. Mr. Philips stated that LAPD will explore parking usage if there were extra spaces available. Ms. Chavez asked whether the City has any other sites available to house South Traffic Division. Mr. Philips responded that there are four stations within South Bureau and none of them was feasible option.

Ms. Chavez inquired whether the purchase cost will be based on the current value of land or the value of land at the time of purchase. Mr. Collins replied that at year 12, the tenant will be engaged with an appraiser and the landlord can engage with their appraiser. If the two parties do not agree on a price a third party appraiser will be engaged to select the appropriate price.

Ms. Tso asked whether the owners of Crenshaw Plaza at 4125 Crenshaw Boulevard would be interested in offering a purchase option. Ms. Benson stated that the owners of the plaza have an entitlement for housing. Ms. Tso inquired about the confidence regarding the timing of completion of the project. Mr. Burn stated that there is a high confidence in completing the time of the construction. Ms. Benson added that GSD will ask for an extension of the current lease if construction is delayed. Ms. Tso asked about the part of the report that states that the City will start paying rent after substantial completion of the site. Ms. Benson clarified that substantial completion means that the property is ready to move in. Ms. Tso asked for confirmation that the building will be turned over to the landlord if the City were to not purchase the site within 25 years. Ms. Benson confirmed.

Ms. Hollins inquired whether North Mariana has been considered for fulfilling LAPD's other parking needs or other uses. Ms. Chavez responded that CAO is discussing with BOE the use of North Mariana as part of the Yards and Shops studies.

Ms. Tso asked whether the CAO's question from the last meeting regarding the tenant improvement cost was answered. Albert Griego, CAO, responded that in the last meeting, Matthew Szabo, CAO, inquired as to the all in cost for the \$9 million front-funded by the landlord. Mr. Griego replied that the \$9 million over a term of 120 months at eight percent interest rate, totals \$13.1 million. Mr. Griego also confirmed that there is no pre-payment penalty if the City were to pay off the tenant improvement costs before the 10-year term. Ms. Tso asked for clarification whether the tenant improvement includes the building built-out. Mr. Collins clarified that the tenant improvement includes the construction of the building.

Item 7 **Continued from July 25, 2024:** Verbal report from CAO relative to use of office work stations by City departments at 444 South Flower Street (Industrious).

Disposition: Noted and filed.

Aira Wada, CAO, provided a brief summary of the Industrious work station analysis with additional data as instructed by the MFC in July. Ms. Wada explained that the elevator card swipes and the workstation login data were analyzed for May 2024 through July 2024. Ms. Wada noted that the average usage rate by each department is approximately 30 percent and there is a consistency in data between the previously reported elevator swipes and workstation login data.

Sharon Tso, CLA, asked what the result of the report presentation is as there is no recommendation provided in the report, and the report makes it clear that there are unused desks and parking being paid for by the City. Delilah Puche, CAO, clarified that this report is a report back as instructed from July MFC meeting for more accurate data.

Ms. Chavez added that in the last meeting, GSD clarified that the terms cannot be changed until January 2025. Yolanda Chavez, CAO, inquired as to what GSD is proposing for the new term considering the given data on the unused spaces. Amy Benson, GSD, responded that GSD would like MFC direction on the next step. Ms. Chavez suggested that there should be a proposal from GSD to pay for what is actually being used. Ms. Chavez also suggested that departments should let the MFC know how the telecommuting policy will be changed if they would like to keep the same number of desks. Ms. Benson stated that GSD was instructed to do a one-to-one desk ratio when temporary space was assigned to departments previously at Garland, so GSD would need a direction from MFC. Ms. Chavez requested GSD to come back to MFC next month with proposed recommendations.

Bernyce Hollins, Mayor, asked for the monthly cost of the lease. Ms. Benson responded that the rent is \$278,800 a month and GSD will be going back to special funded departments to have them pay for their own proportion of the rent. Ms. Benson added that parking is approximately \$76,000 a month for on-site and off-site. Ms. Puche explained that GSD requests approval to reach out to departments to propose each special funded departments to pay for their own portion of the rent. Ms. Chavez asked if GSD would need direction from MFC to proceed reaching out to the departments regarding paying for their own spaces. Ms. Benson stated that a direction from CAO is needed, as it is a budget issue. Ms. Hollins inquired whether there is a lack of usage at the supervisor level. Ms. Benson replied that it is likely that supervisors are aware of the low usage.

Item 8 ADJOURN TO CLOSED SESSION:

CONFERENCE WITH REAL PROPERTY NEGOTIATORS, pursuant to Government Code Section 54956.8.

Property Location: Real property located at:

1. 555 West Fifth Street, Los Angeles, CA (APN: 5149-029-013)

Property Owner: Gregg Williams, as Receiver for Maguire Properties - 555 W. Fifth, LLC

2. 202 West First Street, Los Angeles, CA (APN: 5149-001-006)
145th Spring Street, Los Angeles, CA (APN: 5149-001-003)

Property Owner: Onni Times Square LP

3. 777 South Figueroa Street, Los Angeles, CA (APN: 5144-009-047)

Property Owner: Maguire Properties - 777 Tower, LLC

4. 865 South Figueroa Street, Los Angeles, CA (APN: 5144-022-057)

Property Owner: Hancock S REIT LA Corp USA

5. 333 South Hope Street, Los Angeles, CA (APN: 5151-014-031)

Property Owner: 333 South Hope Co., LLC

6. 355 South Grand Avenue, Los Angeles, CA (APN: 5151-015-013)

Property Owner: Maguire Properties - 355 S. Grand, LLC

7. 110 East Ninth Street, Los Angeles, CA (APN: 5139-001-024)

Property Owner: Calmart Sub I, LLC

8. 333 South Grand Avenue, Los Angeles, CA (APN: 5151-015-012)

Property Owner: North Tower, LLC

9. 300 South Grand Avenue, Los Angeles, CA (APN: 5149-010-026)

Property Owner: CNI One Cal Plaza Owner, LLC

10. 707 Wilshire Boulevard, Los Angeles, CA (APN: 5144-005-400)

Property Owner: Carolwood 707 I, LLC/Carolwood 707 II, LLC

11. 611 West Sixth Street, Los Angeles, CA (APN: 5151-026-400)

Property Owner: 611 West Sixth Street Associates

12. 350 South Grand Avenue, Los Angeles, CA (APN: 5149-010-265)

Property Owner: 350 South Grand Avenue (LA) Owner, LLC

13. 444 South Flower Street, Los Angeles, CA (APN: 5151-018-017)

Property Owner: CVFI-444 S FLOWER LP

14. 601 South Figueroa Street, Los Angeles, CA (APN: 5144-007-044)

Property Owner: 601 Figueroa Co., LLC

15. 633 West Fifth Street, Los Angeles, CA (APN: 5151-017-025)

Property Owner: USBT Property Owner LP

16. 700 South Flower Street, Los Angeles, CA (APN: 5144-010-401)

Property Owner: NREA TRC 700, LLC

17. 800 Wilshire Boulevard, Los Angeles, CA (APN: 5144-008-010)

Property Owner: Onni 800 Wilshire LP

18. 915 Wilshire Boulevard, Los Angeles, CA (APN: 5144-007-040)
Property Owner: Deka Immobilien Investment GmbH

19. 448 South Hill Street, Los Angeles, CA (APN: 5149-026-004)
Property Owner: JMF Pershing Square, LLC

Agency negotiator/presenters:

Amy Benson, Director, Real Estate Services Division, General Services Department; Melody McCormick, Assistant General Manager, General Services Department; Zachary Millett, Assistant Director, Real Estate Services Division; Art Kusol, Senior Management Analyst, General Services Department; Onno Zwaneveld, Executive Vice President, CBRE, Inc.; Michael Syrengelas, Managing Director, CBRE, Inc.

Negotiating Parties: City of Los Angeles, Department of General Services; Gregg Williams as Receiver for Maguire Properties - 555 West Fifth, LLC; Onni Times Square LP; Maguire Properties - 777 Tower, LLC; Hancock S REIT LA Corp USA; 333 South Hope Co., LLC; Maguire Properties - 355 S. Grand, LLC; Calmart Sub I, LLC; North Tower, LLC; CNI One Cal Plaza Owner, LLC; Carolwood 707 I, LLC/Carolwood 707 II, LLC; 611 West Sixth Street Associates; 350 South Grand Avenue (LA) Owner, LLC; CVFI-444 S FLOWER LP; 601 Figueroa Co., LLC; USBT Property Owner LP; NREA TRC 700, LLC; Onni 800 Wilshire LP; Deka Immobilien Investment GmbH; JMF Pershing Square, LLC

Under Negotiation: Price and terms of payment of sublease and lease agreement

RECONVENE OPEN SESSION AND REPORT ACTION TAKEN IN CLOSED SESSION

Meeting reconvened to Public Session at 12:05 a.m.

CLOSED SESSION ANNOUNCEMENTS

No Closed Session announcements.

Item 9 Adjournment – Next Meeting: Regular Meeting on Thursday, September 26, 2024.

The meeting adjourned at 12:06 a.m.