

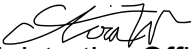
REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 26, 2024

CAO File No.
Council File No.
Council District: Various

To: Municipal Facilities Committee

From: CAO Staff, Office of the City Administrative Officer 

Subject: **FISCAL YEAR 2024-25 FIRST QUARTERLY STATUS REPORT –
CITYWIDE LEASING PROGRAM**

RECOMMENDATION

Note and file this report.

SUMMARY

The First Quarterly Status report provides a general update and overview of the Citywide Leasing Program (Program), which includes unfunded leasing liabilities through the end of Fiscal Year (FY) 2024-25 and the potential use of surplus funds to address these liabilities. As presented in the Discussion section of this report, there is a projected year-end surplus of \$524,189 for the FY 2024-25 Program. However, there are additional potential unfunded leasing liabilities in the amount of (\$633,059) that have not been approved by the Municipal Facilities Committee (MFC) presented in Section E. If the unfunded leases are approved by MFC, there will be a projected year-end shortfall of approximately (\$108,000).

DISCUSSION

A. 2024-25 Citywide Leasing Program

The FY 2024-25 Program consists of the adopted budget amount of \$27.63 million. In addition, the FY 2023-24 Program reappropriated an additional \$5.32 million, for a total revised budget of \$32.95 million as summarized in the chart below (Column C). Based on the FY 2024-25 projected expenses of \$32.43 million (Column D), the year-end balance (Column E) is projected to result in a surplus of \$524,189.

2024-25 Adopted Budget (A)	2023-24 Reappropriation (B)	2024-25 Revised Budget (A) + (B) = (C)	2024-25 Expenses (D)	Projected Year-End Balance (C) + (D) = (E)
\$27,634,469	\$5,319,616	\$32,954,085	(\$32,429,896)	\$524,189

The total lease cost for FY 2024-25 with a surplus (A1-A8) or shortfall (A9-A19) are summarized in the chart below, and detailed in Attachment A. Column A reflects the total of all leases with a surplus and column B reflects the total of all leases with a shortfall. Column C reflects the projected aggregate total of \$524,189.

Total Leases with a Surplus (A)	Total Leases with a Shortfall (B)	Aggregate Total (A) + (B) = (C)
\$7,463,452	(\$6,939,263)	\$524,189

B. 2024-25 Projected Leasing Surplus

The cumulative total of all leases with a projected surplus for FY 2024-25 is \$7.46 million. Significant projected surplus over \$250,000 within the FY 2024-25 Program is summarized below and detailed in Attachment A:

- The Bureau of Sanitation lease at 450-590 South Central Avenue reflects a surplus of \$1.75 million due to the revised tenant improvement costs. Since the Fiscal Year 2023-24 Fourth Quarterly Status Report – Citywide Leasing Program was presented to MFC, this surplus has decreased by \$2.25 million due to a reduction in the required tenant improvements.

C. 2024-25 Projected Leasing Shortfalls

The cumulative total of all leases with a projected shortfall for FY 2024-25 is \$6.94 million. Significant projected shortfalls over \$250,000 within the FY 2024-25 Program are summarized below and detailed in Attachment A:

- The shortfall of \$4.73 million for the Los Angeles Police Department (LAPD) lease at 6230 South Gramercy Place reflects unfunded tenant improvement costs for FY 2024-25 approved by MFC in August 2024 for the South Traffic Division.
- The shortfall of \$830,000 due to a one-time budget reduction in the FY 2024-25 Adopted Budget.
- The shortfall for additional costs to extend the Garland relocation swing space at 444 South Flower Street through June 2025 totals \$688,795.

D. Proposed Use of Surplus Balance

The project surplus of \$524,189 will be retained to address future unfunded liabilities approved by MFC in FY 2024-25, summarized below:

- The projected cost of the new unfunded LAPD parking lease at 1440 North Spring Street is \$418,059, which reflects costs required to execute the lease for eight months with one and a half months of rent abatement and utility. The General Services Department (GSD) Real Estate Services (RES) Division plans to provide an update at the MFC meeting scheduled on October 31, 2024.
- The projected cost of the new unfunded Bureau of Street Lighting lease at 16714 Schoenborn Street is \$215,000, which reflects costs required to execute the lease beginning in January 2024 with two months of rent at no cost. The GSD RES Division plans to provide an update at the MFC meeting scheduled on November 14, 2024.

FISCAL IMPACT

The recommendation stated in this report will have no impact to the General Fund for the FY 2024-25 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/AW:05250030

Attachment A

Item No.	Department Occupant(s)	Lease Property	2024-25 Revised Budget	2024-25 Revised Expenses	Surplus / (Deficit)	Comment
A1	Various	FY 2023-24 Reappropriation	\$ 5,319,616	\$ -	\$ 5,319,616	Reappropriation of unencumbered FY 2023-24 General Fund Citywide Leasing Account funds
A2	Bureau of Sanitation	450-590 South Central Avenue	5,776,128	4,024,201	1,751,927	Surplus reflects revised tenant improvement costs
A3	Department of Transportation	1016 North Mission Road	1,853,310	1,764,007	89,302	Surplus reflects pending lease amendment
A4	Council District 5	5416 Wilshire Boulevard	354,000	265,500	88,500	Surplus reflects reduced annual rental costs due to move in delay
A5	Los Angeles Housing Department	1910 West Sunset Boulevard	81,409	-	81,409	Surplus reflects the portion of the lease funded by the Housing Department's Special Fund monies.
A6	Civil + Human Rights and Equity Department	250 East First Street	623,280	546,520	76,760	Surplus reflects reduced annual rental costs due to move in delay
A7	Department of Transportation	1575 Westwood Boulevard	128,420	98,466	29,954	Surplus reflects planned early termination of the lease in March 2025
A8	Council District 4	13103 Ventura Boulevard	164,262	138,279	25,984	Surplus reflects two additional months of rent abatement
SURPLUS TOTAL			\$ 14,300,425	\$ 6,836,973	\$ 7,463,452	
A9	Police	6230 South Gramercy Place	\$ -	\$ 4,730,000	\$ (4,730,000)	Shortfall reflects unfunded tenant improvement costs for FY 2024-25
A10	Various	FY 2024-25 Budget Reduction	(830,000)	-	(830,000)	Shortfall reflects the budget reduction approved as part of the FY 2024-25 Adopted Budget
A11	YDD/CIFD/OOF/EWDD	444 South Flower Street	2,921,735	3,610,530	(688,795)	Shortfall reflects additional cost for swing space through June 2025
A12	YDD/CIFD/OOF/EWDD	333 South Flower Street	-	231,200	(231,200)	Shortfall reflects additional cost for swing space through June 2025
A13	Various	Garland Relocation	-	123,250	(123,250)	Shortfall reflects moving services and property management costs associated with the Garland relocation
A14	Council District 2	1920 West Third Street	-	94,931	(94,931)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A15	Council District 2	5250 Lankershim Boulevard	329,976	417,798	(87,822)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A16	Council District 5	6380 Wilshire Boulevard	-	76,937	(76,937)	Shortfall due to new lease agreement at new property
A17	Council District 1	1137 West 6th Street	63,270	104,416	(41,146)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A18	Department of Transportation	1201 South Mateo Street	879,252	910,638	(31,386)	Shortfall reflects increased CAM Costs
A19	Various	Various changes within \$15,000	4,756,383	4,760,179	(3,797)	Shortfall reflects the aggregate total of lease changes under \$15,000
A20	Various	Total Cost of Remaining Leases	10,533,045	10,533,045	-	Reflects the total cost of remaining leases without a surplus or shortfall
SHORTFALL TOTAL			\$ 18,653,660	\$ 25,592,924	\$ (6,939,263)	
GRAND TOTAL			\$ 32,954,085	\$ 32,429,896	\$ 524,189	