

CITY OF LOS ANGELES

CALIFORNIA



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Agenda Item No. 6

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INDUSTRIOUS SEAT COUNT REPORT

The Municipal Facilities Committee (MFC) requested a report relative to a potential reduction of total seats at the Industrious co-working office space and the feasibility of several scenarios to potentially reduce leasing costs. This report outlines the Department of General Services' findings based on the input of each City department currently occupying the Industrious office space.

BACKGROUND

The Los Angeles Housing Department (LAHD), Office of Finance (OOF), Economic and Workforce Development Department (EWDD), Community Investment for Families Department (CIFD), Youth Development Department (YDD), and Personnel Department (PER) currently occupy two floors of the Industrious co-working office space located at 444 South Flower Street. Occupancy began in February 2024. At the time, the Office of the Mayor authorized the current seat count of 511 at this office space to provide one seat at a desk or workstation to every employee. Prior to the authorization of this 1:1 ratio, in 2023 as the City was preparing to vacate the Garland Building, the departments originally requested a combined total of 288 seats based on the understanding that 1) a hybrid work schedule was in effect, 2) desk-sharing was required, and 3) the Industrious swing space was a temporary short-term (12 month) solution while a long-term deal was pending execution. The planned new permanent space at the Gas Company Tower was expected to be completed with occupancy beginning in December of 2024.

Additionally, only 31 seats were assigned to LAHD temporarily at Industrious while a lease for temporary space at a different location was pending execution in Spring 2024. This lease was never executed. The 31 seats were not sufficient to meet LAHD's full teleworking needs for several hundred employees who transitioned out of the Garland building.

The Department of General Services (GSD) conducted an updated survey in September 2024 to collect information relative to the minimum number of seats each department requires at Industrious to maintain normal business operations as well as information



relative to current department-specific hybrid work programs. Subsequently the CAO Municipal Facilities Group met with the affected General Managers in late October to refine their proposed seat count numbers. The results of the survey are outlined in the tables below.

Floor	Dept	Seat Count: Original Request (2023)	Seat Count: Current (1:1)	Seat Count: Proposed (Sept/Nov 2024)	Proposed Reduction (Sept/Nov 2024)	% Reduction
14th Floor	CIFD	35	103	66	(37)	-36%
	EWDD	80	145	135	(10)	-7%
	YDD	12	31	18	(13)	-42%
			279	219	(60)	-22%
13th Floor	LAHD	31*	31	31	0	0%
	OOF	120	180	150	(30)	-17%
	PER	10	21	21	0	0%
			232	202	(30)	-13%
Total (Both Floors)		288	511	421	(90)	-18%

* LAHD originally requested 190 seats at Industrious but was later able to secure expansion space at 1910 Sunset Blvd. LAHD is currently desk-sharing 31 seats at Industrious.

Hybrid Work Program (Weekly)		
Dept	Telecommute	In-Office
CIFD	4 Days	1 Day
EWDD	3 Days	2 Days
YDD	3 Days	2 Days
LAHD	3 Days	2 Days
OOF	3 Days	2 Days
PER	4 Days	1 Day

Based on the recent proposed reductions from the departments, a consolidation to one floor does not appear to be feasible since the square footage is insufficient to consolidate 436 seats and a PC farm. As a result, three alternative scenarios are outlined below for consideration.

- **Scenario A**

- **Special Fund Departments Agree to Pro Rata Rent Payments**

- No change to current seat count. Rent is \$278,850 per month currently, or \$3.4M annually. Based on current seat counts this Scenario A assumes that EWDD agrees to pay 28% or \$78,078 per month, CIFD agrees to pay 20% or \$55,770 per month, and LAHD agrees to pay 6% or \$16,731 per month. Numbers are approximate. The net General Fund obligation would decrease to \$128,271 per month, or \$1.5M annually. The current Citywide Leasing Account Budget for FY

2024-25 only includes funding for the General Funded portion of the space at Industrious which was estimated at \$2.4M, not including parking. Parking is budgeted separately and would be allocated to the special funded departments as appropriate under Scenario A.

- **Scenario B**

- **Downsize to Original Seat Count (Prior to 1:1 Authorization)**

- Downsize and revert to the original seat counts requested by City departments prior to the 1:1 authorization. Attempt to consolidate approximately 288 seats and a PC farm on one floor. Industrious will add a 5% premium per seat as a result of the reduction, which totals \$577.50 per seat. The cost for 288 seats in this scenario is \$166,320 per month. Some IT/network equipment would need to be consolidated onto the one remaining floor, which would have associated costs currently not estimated. However, this scenario would make the floor very dense with virtually no room for storage of files needed for everyday work, and conference rooms on the floor would be significantly impacted. Sharing a partial floor with outside private tenants will likely not meet the strict ITA security policies to keep the City's Network secure, and City staff would need to begin locking doors to their assigned offices and rooms.

- **Scenario C***

- **Modification to Scenario A**

- Scenario C is a modified version of Scenario A that includes 49 additional seats for LAHD. If a lease for LAHD swing space is not executed, then LAHD will need a total of 80 seats at Industrious. This contingency will require the addition of 49 seats for LAHD on the 13th floor so OOF's current seat count will be reduced by this amount to fulfill LAHD's requirement. LAHD's pro rata rent payment will be adjusted accordingly to 16% or \$44,616 per month. As a result, the net General Fund obligation will be \$100,386 per month in this scenario. Numbers are approximate.

- *However, LAHD has indicated that the work spaces at Industrious do not work for them operationally and they need a more traditional office environment. LAHD prefers to have their own swing space to move their current staff from Industrious (31 seats) and the remaining displaced staff. They also indicated that they would pay for their separate leased space directly.

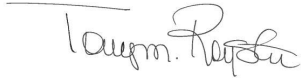
INDUSTRIOUS RENEWAL PENDING

The Industrious license expires on January 25, 2025 and GSD must bring a report back through MFC and City Council within the next 30 days for an amended license to be executed by December 16, 2024 so it takes effect prior to the agreement expiration. There are two associated parking leases for a total of 350 spaces supporting the departments at this location. One of the leases will expire on December 27, 2024, and requires renewal, while the other lease is currently on a month-to-month basis. Industrious is requesting a decision on the renewal immediately so they can market the space to other potential tenants.

The proposed renewal of the Industrious license agreement for the two-floor premises will remain in effect on the condition that the City provides confirmation to Industrious by Friday, November 15, 2024. It is therefore imperative that the Municipal Facilities Committee provide final direction by this date.

RECOMMENDATION

That the Municipal Facilities Committee provides direction to the Department of General Services on how to proceed with the Industrious renewal based on the information presented in this report.



Tony M. Royster
General Manager