

MUNICIPAL FACILITIES COMMITTEE
Minutes from the Special Meeting of November 14, 2024

MEMBERS: Matthew Szabo, 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 10:04 a.m.

General Public Comment

Aksel Palacios, Council District 15, offered comments in favor of Agenda Item 7.

Item 3 Report from the General Services Department (GSD) requesting authority to negotiate and execute a lease agreement with Baklayan and Baklayan Family Trust, and a sublease agreement with People Assisting the Homelessness (PATH), for the continued use of the Highland Gardens Hotel at 7047 Franklin Avenue as an interim housing site, in Council District 4, subject to Council and Mayor approval.

Disposition: Approved.

Matthew Szabo, CAO, requested that Item No. 3 be taken out of order to precede Item No. 1.

Wayne Lee, GSD, made a verbal correction to the agenda language to clarify that the lease is directly with PATH and there is no sublease. Justin Lawson, CAO, stated that funding for this lease was reappropriated at year-end without an executed contract; therefore, GSD could not encumber the funds without documents. Mr. Lawson continued that due to the status of the Reserve Fund, the Office of the CAO does not recommend a reappropriation of the \$4.54 million, instead the CAO recommends utilizing the available Citywide Leasing Account funds until the account is exhausted. Mr. Lawson noted that the surplus for the Leasing Account has increased since the last update in September Municipal Facilities Committee (MFC) meeting from approximately \$525,000 to \$2.82 million. Mr. Lawson added that the projection will continue to increase, but it is not anticipated to increase enough to cover the full amount and cannot address other unfunded leasing expenses that are yet to be executed.

Bernyce Hollins, Mayor, asked for clarification as to whether the intent is to perform a true-up through the mid-year Financial Status Report. Mr. Lawson responded that CAO will continue to monitor the account spending and that no money has been expended or encumbered thus far. Ms. Hollins requested an update on the Citywide Leasing Account in the next Quarterly Status Update report. Mr. Lawson replied that the next Quarterly Status Update report is scheduled for December MFC.

Sharon Tso, CLA, inquired whether the City paid for this lease prior to July 2024. Mr. Lawson responded that the City paid for the lease before July. Ms. Tso asked for clarification on why the funds reverted and were not reappropriated as part of the budget resolution. Mindy Pothongsunun, CAO, clarified that there was not enough time for reappropriation. Mr. Lawson added that there are two General Fund Leasing Accounts tracking homelessness and other leasing items separately so the reappropriation of the Leasing Account was only done for the non-homelessness related leases during the budget process.

Ms. Tso inquired as to whether PATH is obligated to first request the City to extend the lease as it is a General Fund expense. Annabelle Gonzalez, CAO, responded that the intention is to continue to fund the lease with General Fund monies at this time and that PATH will coordinate with the Office of the CAO to execute any lease extension to ensure available funding. Ms. Tso inquired if all 143 beds are occupied at Highland Gardens Hotel. Ms. Gonzalez replied that the facility is operating at a full capacity with 72 rooms used, but cannot speak on the full occupancy of all beds as it is double occupancy.

Mr. Szabo requested clarification on which leases directly increased the surplus of the Leasing Account since the last update at the September MFC. Mr. Lawson responded that there were delays in a number of leases of which 450 South Central Avenue represents a large portion of the surplus. Zachary Millet, GSD, added that there are new leases in progress that were not executed with a projected timeline. Mr. Szabo asked for confirmation that the Leasing Account is currently at an approximately \$1.7 million shortfall with the approval of the report. Mr. Lawson confirmed the \$1.7 million funding gap.

Item 1 Minutes of the October 31, 2024 Regular Meeting.

Disposition: Approved on consent.

Item 2 Report from GSD requesting authority to negotiate and execute a no-cost license agreement with the Los Angeles Police Revolver and Athletic Club for the continued use of a portion of the gym for Los Angeles Police Department's virtual reality training program at Elysian Park Academy, in Council District 1, subject to Council and Mayor approval.

Disposition: Approved on consent.

Item 4 Report from GSD requesting authority to negotiate and execute a lease agreement with Spring Street SP, LLC, for parking spaces for the Los Angeles Police Department at 1440 North Spring Street, in Council District 14, subject to Council and Mayor approval.

Disposition: Item continued to the next meeting.

Item 7 Report from GSD requesting authority to negotiate and execute a purchase agreement with Brea Canon Oil Co., Inc. for a Department of Transportation (DOT) all-electric bus yard at 23903 South Normandie Avenue, in Council District 15, subject to Council and Mayor approval.

Disposition: Approved as amended with following added instructions:
1) Instruct DOT to report on the long-term financial impact including annual operation and maintenance costs; and,
2) Instruct DOT to present a development plan and costs required to open the facility by January 2028.

Matthew Szabo, CAO, requested that Item No. 7 be taken out of order to precede Item No. 5.

Bryan Ochoa, DOT, provided a brief presentation of the report which requests authority to acquire an all-electric bus yard on Normandie to work towards achieving the City's zero-emission goal. Armando Parra, GSD, added that the property will be purchased for \$12 million as-is and that the property has been remediated to industrial standards.

Bernyce Hollins, Mayor, inquired how the current yard lease in Compton is funded. David Somers, DOT, responded that the current lease is funded through Proposition A (Prop A). Ms. Hollins further asked for an explanation on the General Fund grant match. Mr. Somers clarified that all matches are through Prop A, not the General Fund.

Ms. Hollins inquired as to the tentative construction start date. Mr. Somers replied that a conceptual design needs to be developed prior to applying for grants after the purchase of the property. Mr. Somers added that the completion of the project will be no earlier than five years. Ms. Hollins asked whether the Compton yard will be leased until the completion of the project. Mr. Somers stated that the Compton yard lease has to be continued to allow for the continued operation of the South Bureau.

Ms. Hollins further inquired if DOT has the capacity to address the acquisition cost, continued leasing cost, and \$1.5 million post-acquisition cost. Mr. Somers confirmed the DOT is building in all those costs to the forecast of the project.

Sharon Tso, CLA, asked whether Prop A funds are allocated to projects and further inquired as to what funds are available in Prop A. Mr. Somers stated that the \$24 million that was available was approved to be released. Ms. Tso inquired about the status of Prop A since it was projected to be in a deficit. Mr. Somers responded that Prop A consists of money that is used for operation and services and one-time costs for reimbursements, which cycles again as grants reimburse costs. Mr. Somers added that the acquisition is funded through Prop A and grants will reimburse the other costs.

Ms. Tso asked if the mineral rights and vapor will be an issue. Mr. Parra stated that the site had vapor extraction, which was agreed to be removed per the Bureau of Engineering's (BOE) recommendation. Ms. Tso inquired if the vapor will be reinstalled in the future. Mr. Parra responded that it could be reinstalled as needed, but it is unlikely. Mr. Parra continued that the risk highlighted in the report regarding the mineral rights can be mitigated by acquiring an endorsement to the title.

Ms. Tso asked if the remediation will be an issue post-acquisition. Mr. Parra replied that the property is up to industrial standards and it is ready for use, however, digging this property may uncover issues that require remediation post-acquisition. Mr. Parra added that the owners of the property remediated the site and all studies have been reviewed by BOE. Ms. Tso further inquired as to who conducted the remediation reports. Mr. Parra responded that environmental companies wrote the reports and BOE has reviewed them. Ms. Tso asked who initiated the remediation. Mr. Parra responded that the prior owners initiated the remediation.

Ms. Tso inquired whether GSD, DOT, and BOE are confident that the property is clean and would not require a high cost of remediation post-acquisition. Mr. Parra confirmed the high confidence of the cleanliness of the site. Mr. Parra added that there is \$750,000 allotted for ground water monitoring for the span of 10 years, which reduces the cost for the first year. Ms. Tso asked about the ongoing costs after the 10 years allotted. Mr. Parra stated that there will be ongoing costs, but total cost should go down as some items are not ongoing. Mr. Ochoa added that DOT would like to minimize disturbance to the ground so that potential post-acquisition cleanup costs can be reduced.

Mr. Szabo asked whether the \$90 million represents all the costs or just the initial cost. Mr. Somers confirmed that \$90 million represents all costs required to prepare the site for operation. Mr. Szabo inquired if the remaining cost will be funded using state and federal grants based on a formula. Mr. Somers confirmed that the costs will be covered using a formula. Mr. Szabo asked if there is a discussion of expediting the construction to open the site by the summer of 2028. Mr. Somers responded that California Environmental Quality Act exemption has cut down on some time, however, the timeline will be affected by the timing of securing funds.

Item 5

First Quarterly Status Report from BOE on the Taylor Yard G2 River Park project.

Disposition: Noted and filed.

Evann Gonzalez, BOE, provided a brief update on the Taylor Yard G2 River Park project.

Sharon Tso, CLA, inquired as to what is being done to secure funding. Ms. Gonzalez stated that BOE is continuously seeking grants, including the Environmental Protection Agency-Community Justice Grant that could fund up to \$20 million, which is due at the end of November 2024. Deborah Weintraub, BOE, added that there is an agreement with River LA to identify funds as well. Ms. Gonzalez further added that there may be available funds in Proposition O and that BOE will continue to submit Capital and Technology Improvement Expenditure Program requests for approximately \$10 million for Paseo del Rio for two years and \$150,000 per year for the maintenance of the site. Ms. Tso asked for confirmation that the project was phased by priority area. Ms. Weintraub confirmed that the phases were based on priority by community needs.

Mr. Szabo inquired about the funding gap for Paseo del Rio from \$4 million to \$6.7 million. Luz Rabelo, BOE, stated that funding gap increased due to community costs of the project because of ongoing negotiations regarding the remediation of the site.

Item 6

Report from GSD relative to the use of office work stations and space needs by City departments at 444 South Flower Street (Industrious).

Disposition: Item continued to the next meeting.

Zachary Millett, GSD, made a verbal correction on page two of the report, second from the bottom paragraph, the seat count should state 421 instead of 436 so that the numbers match the chart above in the report. Mr. Millet provided a brief summary of the department response to the seat reduction exercise, which resulted in a decrease of 90 seats. Mr. Millet clarified that there are 511 seats listed as a total, however, the City pays for 507 seats only. Mr. Millet noted that the largest number of seats on a floor is 279 and there is a security concern if a non-City employee occupies part of a floor. Amy Benson, GSD, added that the current license agreement at Industrious must be extended by December 16, 2024, however, GSD will work with the landlord to ask for extension on this deadline.

Matthew Szabo, CAO, inquired as to the problem that this report is trying to solve. Mr. Millet responded that the report aims to reduce the workstations to right size each department needs and reduce the General Fund leasing cost which are approximately \$4 million annually. Mr. Millet added that this report is in response to the previous MFC report from the CAO which showed that the current usage of space at Industrious is about 30 percent. Mr. Szabo inquired as to the total number of employees working at Industrious. Mr. Millet stated that there are total of 511 seats, in which most departments are on a one-to-one ratio, however, 31 seats for the Los Angeles Housing Department (LAHD) is used for 110 employees.

Bernyce Hollins, Mayor, asked whether there is an option for month-to-month if needed for the license renewal. Ms. Benson responded that there is a month-to-month option. Ms. Hollins inquired if the Special Funds were identified by the respective departments. Ms. Benson replied that the Special Funds were identified using the Garland lease, however, GSD will come back to the Committee on the specific funding sources as confirmed by each department. Ms. Hollins requested the CAO to identify funding gaps if Special Funds do not have sufficient capacity.

Ms. Hollins asked whether Scenario C is feasible considering that it will require further reduction of seats from each department to fit 49 additional seats for LAHD. Ms. Benson replied that GSD added this as an option, however, GSD has received a feedback from LAHD that they do not feel Scenario C will be feasible for their operation, which is noted as an asterisk in the report.

Ms. Hollins inquired if departments have agreed to the methodology of the seat usage reported by the CAO. Yolanda Chavez, CAO, responded that CAO report was based on consistent data using the elevator card swipes and employee computer log-ins, which should account for all employees working. Ms. Hollins stated that some departments are disputing that some employees do not log in, so they may not be accounted for in the data.

Ms. Hollins asked whether departments agree to the reduced seat of 288 as originally requested before the direction for one-to-one ratio as described in Scenario B. Ms. Benson replied that departments responded with a 90 seat reduction after GSD provided the report from the CAO on the seat usage at Industrious. Ms. Hollins inquired as to the feasibility of Scenario B as it will impact the conference room, reduce storage space, and create a dense floor plan. Ms. Benson stated that departments responded that they will not be able to operate by decreasing the seat count beyond the proposed 90 seats.

Ms. Hollins stated that Scenario A will be the only feasible option in this report. Ms. Chavez asked why Scenario A is based on 511 instead of 421 seats. Mr. Millet explained that sharing a floor with non-City employees will pose security issues; therefore, the current 511 seats were considered for Scenario A instead of 421 seats, which will lead to the need for sharing a floor with non-City departments.

Sharon Tso, CLA, inquired how GSD was planning to use 288 seats originally requested in 2023. Mr. Millet replied that the original plan was to use 288 seats by distributing keys for each door to each employee by using partial floor. Ms. Tso asked if there is a problem with partial occupancy by distributing the keys. Mr. Millet responded that departments may not feel comfortable with that option, however, GSD can logistically create that plan.

Ms. Tso asked for departments to explain why the 30 percent actual usage is not reflected in the reduced seat proposal, which shows 80 percent space need. Diana Mangioglu, Office of Finance (OOF), explained that there are three divisions working at Industrious coming in at least two days a week while Enforcement Division comes in three times a week, with staggering schedules from Mondays through Thursdays, with very little usage on Fridays. Ms. Mangioglu stated that OOF looked at vacancies, position cuts, and operations to cut the needed seats for hoteling. Ms. Tso inquired whether 180 current seat count is for authorized positions or employees. Ms. Mangioglu replied that 180 is based on authorized positions. Ms. Benson added that part of the workstation usage includes storage space, as the materials from Garland had to be stored at Industrious for a longer time.

Mr. Szabo asked whether the Industrious license renewal requires a direction on this report. Ms. Benson responded that she will provide a report to the MFC in December on the license extension and would need some direction. Mr. Szabo inquired if GSD has explored shorter than 12-month terms for the Industrious license renewal. Onno Zwaneveld, CBRE, explained that the terms are for 24-months and will include a unilateral option to downsize to one floor over time with a premium charge for reducing to just 14th floor for 275 seats. Mr. Szabo asked for confirmation that Scenario B would have a 90-day transition period. Ms. Benson confirmed that transition period will be for 90 days.

Rosa Benavides, Community Investment for Families Department (CIFD), stated that it will be helpful for departments to be provided a number to reduce down to as there are offices that need permanent space due to position requirements. Delilah Puche, CAO, clarified that the direction given during the discussion with departments and CAO staff was to aim for the originally requested seat count of 288 total, and to explain the reason for any seats that are needed beyond the original request.

Ms. Mangioglu stated that the 150 seats with a 30 seat reduced count is based on the hoteling approach which is less than the total number of employees utilizing the space. Ms. Mangioglu added that there are some staff needing ergonomic setup, which becomes permanent space for a specific staff. Ms. Tso asked whether staff comes in on Fridays. Matt Crawford, OOF, replied that staff does not come in on Fridays due to Regular Day Off schedules. Ms. Benavides explained that CIFD has one day that all staff in one division comes in. Ms. Mangioglu added that there is a confidentiality issue with sharing a space with non-City employees.

Item 8 ADJOURN TO CLOSED SESSION:

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

Property Address: 221 North Figueroa St., Los Angeles, CA (APN: 5161-006-909)

Property Owner: City of Los Angeles

Agency negotiator/presenters:

Amy Benson, Director, Real Estate Division, General Services Department;
Wayne Lee, Senior Real Estate Officer, General Services Department;
Melody McCormick, Assistant General Manager, General Services Department

Negotiating Parties: City of Los Angeles, Department of General Services;
Department of Water and Power

Under Negotiation: Price and terms of lease agreement and proposed
tenant improvements

**RECONVENE OPEN SESSION AND REPORT ACTION TAKEN IN
CLOSED SESSION**

Meeting reconvened to Public Session at 11:49 a.m.

CLOSED SESSION ANNOUNCEMENTS

No Closed Session announcements.

Item 9 Adjournment – Next Meeting: Special Meeting on Thursday, December 12,
2024.

The meeting adjourned at 11:50 a.m.