

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 12, 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 SECOND QUARTERLY STATUS REPORT – CITYWIDE LEASING PROGRAM**

RECOMMENDATION

Note and file.

SUMMARY

The Second Quarterly Status report provides an update and overview of the Citywide Leasing Program (Program), which includes Municipal Facilities Committee (MFC) approved unfunded leasing liabilities projected through the end of Fiscal Year (FY) 2024-25 and the use of surplus funds to partially address these liabilities. As presented in the Discussion section of the report, there is a projected year-end shortfall of (\$1.64 million) for the FY 2024-25 Program. In addition, there are anticipated unfunded leasing liabilities in the amount of (\$749,872) that have not been approved by MFC detailed in Section E. If the unfunded leases are approved by MFC, the projected year-end shortfall will increase to approximately (\$2.39 million).

DISCUSSION

A. FY 2024-25 Citywide Leasing Program

Table 1: Citywide Leasing Program Budget

The FY 2024-25 Adopted Budget provides \$27.63 million, and an additional reappropriation from prior unencumbered funds in the amount of \$5.32 million, and less the transfers out to date (\$253,352), result in a total revised budget of \$32.70 million as summarized in Table 1. Based on the FY 2024-25 projected expenses of (\$34.34 million), the year-end balance is projected to result in a shortfall of (\$1.64 million).

FY 2024-25 Adopted Budget (A)	FY 2023-24 Reappropriation (B)	FY 2024-25 Transfers Out (C)	FY 2024-25 Revised Budget (A) + (B)+ (C) = (D)	FY 2024-25 Expenses (E)	Projected FY 2024-25 Year-End Balance (D) + (E) = (F)
\$27,634,469	\$5,319,616	(\$253,352)	\$32,700,733	(\$34,343,238)	(\$1,642,505)

Table 2: Total Lease Surplus and Shortfall

Attachment A details each individual lease costs through the end of FY 2024-25 that is projected to have a surplus (A1-A11) or shortfall (A12-A24) which is summarized in Table 2 below. It should be noted, Attachment A line A25 reflects the cumulative total for all remaining unchanged budgeted leases without shortfalls or surpluses.

Total Leases with a Surplus (A)	Total Leases with a Shortfall (B)	Total (A) + (B) = (C)
\$10,299,484	(\$11,941,989)	(\$1,642,505)

a. FY 2024-25 Projected Leasing Surplus

The FY 2024-25 total of all leases with a projected surplus is \$10.30 million. Significant projected surpluses over \$250,000 are summarized below and detailed in Attachment A:

- \$2.56 million - Bureau of Street Services Livability Services Division: The Bureau of Sanitation lease at 450-590 South Central Avenue reflects a surplus of \$2.56 million due to the revised tenant improvement costs which is \$811,940 more than previously presented to MFC in the FY 2024-25 First Quarterly Status Report (A2).
- \$1.50 million - Los Angeles Fire Department Port Lease: The Los Angeles Fire Department lease at the Port of Los Angeles reflects a surplus due to a delay in the execution of the lease (A3).
- \$269,610 - Bureau of Street Services Asphalt Plant I: The Central Asphalt Plant I lease for the Bureau of Street Services reflects a surplus due to a delay in the execution of the lease (A4).

b. FY 2024-25 Projected Leasing Shortfalls

The FY 2024-25 total of all leases with a projected shortfall is (\$11.94 million). Significant projected shortfalls over \$250,000 are summarized below and detailed in Attachment A:

- (\$4.73 million) - Los Angeles Police Department (LAPD) South Traffic Division: The shortfall for the 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 (A12).

- (\$4.54 million) - City Administrative Officer Homelessness Site: The shortfall for the City Administrative Officer lease at 7047 Franklin Avenue reflects unfunded lease costs for FY 2024-25 approved by MFC in November 2024 (A13).
- (\$830,000) - FY 2024-25 Budget Reduction: The shortfall is due to a one-time budget reduction in the FY 2024-25 Adopted Budget (A14).
- (\$721,320) - Garland Building Swing Space: The shortfall for additional costs to extend the Garland relocation swing space at 444 South Flower Street through June 2025 totals (\$721,320), which is \$32,525 more than the cost reported in the FY 2024-25 First Quarterly Status Report (A15).
- (\$415,419) - Garland Building Relocation Furniture Storage and Project Management: The shortfall for additional costs for furniture storage and project management fees associated with the Garland relocation totals (\$415,419), which is \$292,169 more than the cost reported in the FY 2024-25 First Quarterly Status Report (A16).

B. Revisions Since the FY 2024-25 First Quarterly Status Report

There is now a year-end projected shortfall of (\$1.64 million), which is (\$2.17 million) less than the \$524,189 surplus reported in the FY 2024-25 First Quarterly Status Report. This is due to MFC approved unfunded leases and revised expenses to approved leases presented in Attachment A.

C. Unfunded Liabilities to be Considered by MFC

In addition to the projected shortfall of (\$1.64 million), approval of the following future unfunded liabilities by MFC in FY 2024-25 will result in a total shortfall of (\$2.39 million). These leases are not included in Attachment A.

- (\$505,500) - Bureau of Street Lighting Yard: Projects the cost of a four-month lease with two months of rent at no cost for the new unfunded Bureau of Street Lighting yard lease at 16714 Schoenborn Street. The General Services Department (GSD) Real Estate Services (RES) Division plans to provide an update at the MFC meeting scheduled on January 30, 2025.
- (\$242,372) - LAPD Parking: Projects the cost of a five-month lease with one and a half months of rent abatement and utility costs for the new unfunded LAPD parking lease at 1440 North Spring Street. The GSD RES Division plans to provide an update at the MFC meeting scheduled on December 12, 2024.
- (\$2,000) - Mayor's Office Parking: Projects the cost of a five-month lease for the new unfunded parking lease for the Mayor's Office in Sacramento. The GSD RES Division plans to provide an update at the MFC meeting scheduled on January 30, 2025.

FISCAL IMPACT STATEMENT

This report is for informational purposes only. 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 STATEMENT

The recommendation in this report complies with the City's Financial Policies in that to the extent possible, changes to budget appropriations during the fiscal year shall be limited and subject to the review and approval of the Mayor and the City Council.

DP:JDL/AW:05250069

Attachment A

FY 2024-25 Second Quarterly Report - Leasing Program Detail
Changes to Budgeted and MFC Approved Items

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	3,212,261	2,563,867	Surplus reflects revised tenant improvement costs
A3	Los Angeles Fire Department	Port of Los Angeles Leases	1,549,839	52,180	1,497,659	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A4	Bureau of Street Services	Central Asphalt Plant I	800,000	530,390	269,610	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A5	Department of Transportation	100 Main Street	2,233,050	2,028,343	204,707	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A6	Civil + Human Rights and Equity Department	250 East First Street	623,280	469,247	154,033	Surplus reflects reduced annual rental costs due to delay in move-in
A7	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
A8	Various	1016 North Mission Road	1,853,310	1,774,321	78,989	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A9	Council District 5	5416 Wilshire Boulevard	354,000	280,495	73,505	Surplus reflects reduced annual rental costs due to delay in move-in
A10	Department of Transportation	1575 Westwood Boulevard	128,420	98,466	29,954	Surplus reflects planned early termination of the lease in March 2025
A11	Council District 4	13103 Ventura Boulevard	164,262	138,129	26,134	Surplus reflects two additional months of rent abatement
SURPLUS TOTAL			\$ 18,883,314	\$ 8,583,831	\$ 10,299,483	
A12	Police*	6230 South Gramercy Place	\$ -	\$ 4,730,000	\$ (4,730,001)	Shortfall reflects unfunded tenant improvement costs for FY 2024-25
A13	City Administrative Officer Homelessness*	7047 Franklin Avenue	-	4,535,473	(4,535,473)	Shortfall reflects unfunded lease costs for FY 2024-25
A14	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
A15	Various	444 South Flower Street	2,921,735	3,643,056	(721,320)	Shortfall reflects additional cost for swing space through June 2025
A16	Various*	Garland Relocation	-	415,419	(415,419)	Shortfall reflects monthly costs for furniture storage and project management fees
A17	Various*	333 South Flower Street	-	231,300	(231,300)	Shortfall reflects additional cost for swing space through June 2025
A18	Council District 5*	6380 Wilshire Boulevard	-	96,172	(96,172)	Shortfall due to due to delay in move-in at a new site
A19	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
A20	Council District 2	5250 Lankershim Boulevard	329,976	418,742	(88,766)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A21	Various	Lot 601	82,944	168,552	(85,608)	Shortfall reflects increased parking cost
A22	Council District 1	1137 West 6th Street	63,270	102,706	(39,436)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A23	Department of Transportation	1201 South Mateo Street	879,252	910,638	(31,386)	Shortfall reflects increased CAM costs
A24	Various	Various changes within \$15,000	6,190,134	6,232,311	(42,177)	Shortfall reflects the aggregate total of lease changes under \$15,000
A25	Various	Total Cost of Remaining Leases	4,180,109	4,180,109	-	Reflects the total cost of remaining leases without a surplus or shortfall
SHORTFALL TOTAL			\$ 13,817,420	\$ 25,759,408	\$ (11,941,989)	
GRAND TOTAL			\$ 32,700,733	\$ 34,343,238	\$ (1,642,505)	

* Unbudgeted MFC approved items.