

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 3

TONY M. ROYSTER
GENERAL MANAGER
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CITY PURCHASING AGENT

DEPARTMENT OF
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April 16, 2026

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: Adam Lid, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE
A LEASE AGREEMENT WITH PSP INVESTMENT GROUP, LLC
1100 S. FLOWER STREET, LOS ANGELES, CA 90015**

The Department of General Services (GSD) requests authority to negotiate and execute a lease agreement with PSP Investment Group, LLC (Landlord) for office space located at 1100 S. Flower Street, Suite 2200, Los Angeles, California 90015 (Premises) in Council District 14.

The proposed premises consist of approximately 6,020 rentable square feet of office space and will be utilized by the Bureau of Engineering (BOE) and the consultant Project Delivery Team supporting the Los Angeles Convention Center Expansion and Modernization Project. The space will accommodate staff responsible for project planning, coordination, and implementation activities related to the modernization effort.

Approval of this request will allow the City to secure office space necessary to support project management and operational coordination for the Convention Center modernization initiative.

BACKGROUND

The Los Angeles Convention Center (LACC) is one of the City's most important economic engines and a critical venue for international conventions, trade shows, and large-scale civic events. Originally constructed in 1971 and expanded several times since then, portions of the facility have reached the end of their useful life and no longer meet the operational expectations of modern convention organizers. As a result, the City of Los Angeles has initiated an expansion and comprehensive modernization program to upgrade and reposition the facility as a premier convention destination.



The expansion and modernization project is intended to improve the functionality, efficiency, and overall visitor experience of the Convention Center campus while enhancing the City's ability to attract major conventions and international events. The expansion scope will add up to 190,000 square feet of contiguous space connecting the LACC existing South Hall and the West Hall above Pico Blvd. (Pico Expansion). The project includes upgrades to building systems, reconfiguration of exhibit and meeting spaces, modernization of public areas, and improvements to circulation and connectivity between the Convention Center's halls and surrounding downtown destinations. Additional design considerations include sustainability measures, improved accessibility, and enhanced technology infrastructure to meet the needs of contemporary conference and exhibition programming.

The project is also closely aligned with the City's preparations for the 2028 Olympic and Paralympic Games (LA28), during which the Convention Center is expected to serve as a key venue for events and related operations. Modernizing the facility will help ensure that Los Angeles remains competitive with other major convention destinations while supporting tourism, hospitality, and economic development in the Downtown Los Angeles area.

To support planning, design, engineering coordination, and construction oversight associated with the modernization effort, the Bureau of Engineering (BOE) Convention Center Team requires dedicated project office space near the Convention Center campus. The proposed office space at 1100 South Flower Street will provide a centralized workspace for City staff and project consultants responsible for managing and implementing the Convention Center modernization project.

The Public Works Building does not have adequate space to accommodate the Convention Center project team. Therefore, GSD Real Estate Services is working with the Bureau of Engineering (BOE) to identify suitable office space that can accommodate the team's operational needs for the duration of the project.

The Bureau of Engineering is leading project delivery and coordination for the Convention Center expansion and modernization effort, which requires workspace for engineering, project management, and administrative staff supporting the planning, design, and implementation phases. The proposed project office will accommodate approximately 38 to 42 staff, including personnel from the Bureau of Engineering, the Bureau of Contract Administration, and consultant members of the project delivery team. Staffing levels are expected to ramp up and down throughout the lifecycle of the project, depending on the phase of design and construction, with an estimated 20 staff members occupying the office on a typical day-to-day basis, and at least one day per week when the full team will be onsite for project coordination meetings.

Following a review of available office inventory within the area, 1100 South Flower Street was identified as a suitable location due to its close proximity and walking distance to the Los Angeles Convention Center, allowing project staff to efficiently access the project site and attend meetings and coordination activities. The location also provides convenient access to public transportation, including nearby Metro rail and bus lines, which supports City sustainability goals and provides accessible commuting options for City staff and project consultants. The proposed office space will serve as a centralized workspace for personnel responsible for managing and implementing the Convention Center expansion and modernization project.

TERMS AND CONDITIONS

The proposed 6,020 square foot (SF) lease will be for an initial term of four (4) years, with one (1) one-year option to extend. The option term rent will be established at the greater of 103% of the then-current base rent, resulting in an estimated monthly cost of \$15,230.60.

The initial base rent is approximately \$1.35 per square foot for the first four (4) months, increasing to \$2.25 per square foot for months five (5) through twelve (12).

The lease will include standard City provisions, including no holdover fee for the first three (3) months, and thereafter a holdover rate of 150% of the base rent, as set forth in the lease agreement.

Parking may be provided through a third-party operator that manages the adjacent parking structure on behalf of ownership, for up to twenty (20) spaces at a rate of \$200 per space per month. The City is not financially obligated to secure parking as part of the proposed lease; however, parking will remain available for staff use if required. Should the City elect to utilize parking, a separate agreement and report may be brought forward to address the associated costs.

At this time, BOE has elected not to proceed with a separate parking agreement due to the estimated four-year cost of approximately \$192,000, which is not currently budgeted within the allocated project budget of \$950,000. This item will be revisited once final lease costs are reconciled or if additional funding becomes available.

The lease agreement is structured as a full-service gross office lease, whereby the Landlord is responsible for all operating expenses, and no additional costs are passed through to the Tenant.

A complete set of terms and conditions is outlined in the attached term sheet.

MARKET ANALYSIS

A recent market survey of comparable office properties within the Downtown Los Angeles (DTLA) market, including the South Park and Historic Core submarkets, indicates that rental rates for similar office space range from approximately \$2.50 to \$3.50 per square foot per month (Full Service Gross or Modified Gross). The selected comparables focus on office suites ranging from approximately 4,000 to 7,000 square feet, consistent with

the City's requirement for a 6,020 square foot office space. These properties are located within the DTLA core, spanning from 888 S. Figueroa Street to 433 S. Spring Street, and represent a mix of Class A and Class B office buildings.

Based on the surveyed data, the average rental rate is approximately \$3.00 per square foot per month. Class A properties command higher rents due to modern construction and amenities, while Class B properties lease at comparatively lower rates, reflecting building age, condition, and lease structure.

The subject property at 1100 S. Flower Street is a Class B office building, and the proposed lease reflects this positioning. The average rental rate over the initial four (4) year term is approximately \$2.24 per square foot per month (Full Service Gross), which is below the market average and consistent with the lower range of Class B office comparables.

Notably, comparable Class B properties such as 710–714 W. Olympic Boulevard are currently marketing space in the range of approximately \$2.00 to \$2.50 per square foot, often under modified gross structures. These properties typically offer smaller or less efficient layouts and fewer included services, further supporting that the subject lease, structured as a Full Service Gross lease, is competitive and favorable to the City.

Location	Property Type	Rental Rate PSF	Rentable SF	Lease Type
888 S. Figueroa St	Office Class A	\$3.50	6,500	Full Service
915 Wilshire Blvd	Office Class B	\$3.10	5,000	Full Service
600 Wilshire Blvd	Office Class B	\$2.85	6,200	Full Service
433 S. Spring St	Office Class B	\$2.75	4,500	Full Service
710-714 W. Olympic Blvd	Office Class B	\$2.25	6,400	Modified Gross
Average Rental Rate		\$3.00		

Overall, the proposed rental rate is well-supported by current market conditions and reflects a competitive and below-market transaction for comparable Class B office space within the DTLA submarket. Based on the market average of \$3.00 per square foot, the proposed rate of \$2.24 per square foot represents an approximate 25% discount, supporting the conclusion that the lease terms are fair, reasonable, and advantageous to the City.

MAINTENANCE/UTILITIES/LANDSCAPING

Maintenance, utilities and landscaping will be maintained by the Landlord. The Landlord is responsible for maintaining the structural components of the building and all common areas serving the Premises, including the roof, exterior walls, building systems, elevators, life-safety systems, landscaping, and exterior areas, in good order and condition. The Landlord's responsibilities include routine maintenance and repairs necessary to ensure the safe and continuous use of the Premises for City operations.

The building provides on-site security with a staffed guard desk five (5) days per week, from 7:00 a.m. to 7:00 p.m., enhancing tenant safety and access control. Additionally, an on-site facility manager is available to promptly respond to tenant service requests, including HVAC, plumbing, and general maintenance needs, ensuring efficient day-to-day building operations.

Utilities serving the Premises, including electricity, water, and HVAC, will be provided by the Landlord at no additional cost to the City. Additionally, janitorial services will be provided on a regular basis as part of the full-service gross lease. The City is only responsible for maintaining the interior of the Premises in good order and repair.

TENANT IMPROVEMENTS

The Landlord will perform some minor tenant improvements at their sole expense which includes constructing a larger conference room with new flooring, patching and painting walls as needed, and cleaning carpets.

The City is responsible to cover the costs for installing data cabling and the City network, alarm system, and new furniture. These items are considered one-times costs and are estimated not to exceed \$250,000.

FUNDING

Proposed funding through the Los Angeles Convention Center Expansion and Modernization Project bond proceeds (Fund 27M) and the Los Angeles Convention Center Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper (CP) Program in the amount of \$950,000 will cover project-related costs for the entire lease term. These funds will remain in MICLA Fund (Fund 27M) and the CP program and will be administered by the Bureau of Public Works and the CAO, with payments processed upon receipt of invoices. No transfer of funds will occur to the Municipal Leasing account. With a four-year lease and one-time costs estimated at \$250,000, the average annual lease budget is \$175,000.

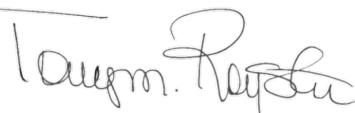
FISCAL IMPACT

The proposed annual budget for this project in FY 2026-27 is \$425,000, representing \$250,000 of one-time costs and an average annual lease budget of \$175,000. Proposed lease costs are estimated at \$390,868 during year one with an estimated savings of \$34,132. There is no additional impact to the General Fund.

1100 S. Flower Street 2026-27 Proposed Lease Costs				
	Monthly Proposed Costs	2026-27 Estimated Expense	2026-27 Available Project Funds	2026-27 Estimated Surplus (Deficit)
Proposed Rent (Months 1-4)	\$8,127	\$32,508		
Proposed Rent (Months 5-12)	\$13,545	\$108,360		
One-Time Furniture and ITA Costs		\$250,000		
TOTAL		\$390,868	\$425,000	\$34,132

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a lease agreement with PSP Investment Group, LLC. for the Bureau of Engineering Convention Center Team located at 1100 S. Flower Street, Los Angeles, CA 90015 under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachments: Term Sheet
Floor Plan

LEASING TERM SHEET

DATE	March 2026
LANDLORD	PSP Investment Group, LLC
LANDLORD ADDRESS	1100 S. Flower St. Suite 1200 Los Angeles, CA 90015
TENANT	City of Los Angeles - GSD
TENANT ADDRESS	111 East First Street, Room 201, Los Angeles, CA 90012
PREMISES ADDRESS	1100 S. Flower St. Suite 2200, Los Angeles, CA 90015
USE	Office
SQUARE FEET	Suite 2200 - 6,020 SF
EARLY POSSESSION	Tenant may enter the Premises up to thirty (30) days prior to the Commencement Date solely to install furniture, fixtures, equipment, cabling, and other non-structural improvements. Such early entry shall be at Tenant's sole risk and shall not advance the Commencement Date or the obligation to pay Rent. Landlord may enter Premises during this Early Possession period to complete the Tenant Improvement work below.
TERM	48 months
LEASE COMMENCEMENT DATE	The Term shall commence on the later of (i) July 1, 2026, or (ii) the date the City delivers written confirmation that the Premises have been delivered in acceptable condition and are suitable for occupancy (the "Commencement Date").
LEASE EXECUTION DATE	The lease shall be executed on or before May 15, 2026, or Landlord shall have the right to terminate. (The intention of this is to give the Landlord enough time to complete the Tenant Improvement work before July 1, 2026).
LEASE EXPIRATION DATE	The Term shall expire on the date that is four (4) years following the Commencement Date (the "Expiration Date"), unless sooner terminated as provided herein.
RENT START DATE	Rent Commencement shall coincide with the Lease Commencement Date
RENT SCHEDULE	<p>Year 1</p> <p>Months 1–4: → \$ 8,127.00 (\$1.35 psf)</p> <p>Months 5–12: → \$13,545.00 (\$2.25 psf)</p> <p>Year 2. → \$13,966.40 (\$2.32 psf)</p> <p>Year 3. → \$14,387.80 (\$2.39 psf)</p> <p>Year 4 → \$14,809.20 (\$2.46 psf)</p>
AGREEMENT TYPE	Office Lease - Full-Service Gross
RENT INCREASES	3% annually

HOLDOVER	Month-to-month tenancy with a holdover rate of 125% for the first three (3) months, followed by a holdover rate of 150% afterward
SUBLET/ ASSIGNMENT	With landlord approval
RENEWAL OPTION	One (1) year option to extend
OPTION DATE	TBD (based on Lease Commencement Date)
OPTION RENT / ESCALATION	3% escalation
OPTION RENT - RENT SCHEDULE	Year 5 → \$15,230.60 (\$2.53 psf)
RENT ABATEMENT	None
OPEX - CAM	None
LATE FEE	None
PROPERTY TAX	None
PROPERTY INS.	Per CAO Risk Division - To be further defined in the lease agreement
ADDITIONAL RENT	N/A
PARKING - NUMBER OF PASSES	Tenants shall have the right up to twenty (20) unreserved parking spaces at a rate of \$200.00 per month per vehicle. Parking lease shall be separate from Office Lease Agreement but shall run concurrently with the office lease and shall terminate upon expiration or earlier termination of the Lease.
MONTHLY PARKING COST	\$4,000 per month (\$200 per month per vehicle) (Not a part of Office Lease Agreement)
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR: LANDLORD	Landlord responsible for all building maintenance
MAINTENANCE/ REPAIR: TENANT	N/A
TENANT IMPROVEMENTS: ALLOWANCE/SCOPE	Landlord shall perform the following Tenant Improvements: 1. Construct a larger conference room in the back area of the Suite. 2. Touch-up paint throughout the Suite. 3. Steam clean all carpeted areas. 4. Install new flooring in the conference room
CUSTODIAL / LANDSCAPING	Landlord
SECURITY	Landlord
PROP 13	N/A
INSURANCE (CITY)	City is self-insured

INSURANCE (OTHER PARTY)	To be further defined in the agreement
BUILDING HOURS	The building hours are from 7:00am – 7:00pm Monday through Friday. Tenant and Tenant's staff only (not members of the public) may access the Premises outside these hours by using a fob at the rear door to the building (accessible from the alley) and by taking the stairs, as the elevator lobby is only accessible during the above specified building hours.
HVAC / UTILITIES / JANITORIAL	Landlord shall provide HVAC during standard Building operating hours and utilities and janitorial services consistent with Full Service Gross leasing standards for the Building. Tenant shall be responsible only for any supplemental HVAC or services specifically requested beyond building standard level for class A office. The HVAC system in the building operates from 7:00am to 7:00pm Monday through Friday. If Tenant wishes to use the HVAC outside these hours, Tenant may do so but shall incur a charge of \$175 per hour for use outside the above specified building hours.
BUILDING SECURITY	Landlord shall provide building-standard security measures, including secured access points and any staffed security positions serving the building during operating hours. Tenant shall have the right to install its own access control systems for the Premises at Tenant's sole cost, subject to Landlord approval.
PRINT:	
SIGNATURE:	

