

# CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS  
MAYOR

Agenda Item No. 5

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT

DEPARTMENT OF  
GENERAL SERVICES  
ROOM 701  
CITY HALL SOUTH  
111 EAST FIRST STREET  
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May 29, 2025

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

Attention: Adam Lid, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A LEASE  
AMENDMENT WITH SPRING STREET SP, LLC FOR THE LOS ANGELES POLICE  
DEPARTMENT AT 1440 N. SPRING STREET, LOS ANGELES, CA 90012**

The Department of General Services (GSD) requests authority to negotiate and execute a lease amendment with Spring Street SP, LLC at 1440 N. Spring Street, Los Angeles, CA 90012 for the Los Angeles Police Department for their vehicle storage needs in Council District 14 (CD14). The amendment is needed to clarify terms related to the operating expenses and the holdover provision.

**BACKGROUND**

On January 22, 2025, City Council approved the proposed lease at 1440 N. Spring Street which includes an approximately 41,772 square foot (SF) single tenant warehouse building with approximately 67,009 SF of land in Los Angeles, located with MR2 zoning just north of downtown Los Angeles and in close proximity to the current LAPD lots. Furthermore, this location can accommodate approximately 70 spaces on the roof along with an estimated 60 spaces outside in the common area of the site and an additional estimated 100 spaces inside the building, accommodating approximately 230 spaces total on site.

As GSD was working on the final stages of lease comments, there was a misunderstanding on the operating expense (OPEX) charges for the site. Originally, the City's understanding was that the Property Tax and Insurance would be included in the Base Rent. However, the Landlord is asking for clarity to include reimbursement of OPEX with a Base Year for Property Tax and Insurance. The Landlord's understanding was that the City, as a tenant, would reimburse these costs as Additional Rent. Therefore, GSD is requesting an amendment with the updated terms and conditions and the associated financial impact for approval.



**TERMS AND CONDITIONS**

The proposed changes from the original lease is for partial reimbursement for increases in Operating Expenses (OPEX) above a 2025 Base Year, specifically related to Property Tax and Property Insurance.

Base Year Estimates (2025):

- Property Tax: \$38,541.00
- Property Insurance: \$31,875.00
- These amounts will establish the Base Year for Common Area Expenses. The City will be responsible for any increases over these base amounts on an annual basis.

All other operating expenses, excluding Building Systems, which remain the Landlord's responsibility, shall be the responsibility of the City to reimburse the Landlord, upon the City's request. This provision was unchanged.

To mitigate the City's financial exposure, GSD has negotiated a 7% annual cap on increases to Property Tax and Insurance combined. This cap also applies in the event of property reassessment due to sale or transfer, thereby limiting the City's exposure to reassessed tax spikes.

*For example, for FY 2026-2027 at a 7% increase, the maximum difference would be \$4,929.12 for the year or \$410.76 per month which would not apply until after the initial 12 months of the first lease year.*

A holdover provision was not included in the original term sheet. The Landlord has now agreed to the following term:

If applicable, the City may remain in the premises beyond the lease expiration at a holdover rate of 103% of the then-current rent for the first six (6) months. After the initial six-month period, the holdover rate will increase to 150% of the then-current rent. The current market standard for holdover rent is approximately 150%. GSD successfully negotiated the reduced 103% rate for the first six months to provide cost protection in the event of a short-term extension or transition period.

**TENANT IMPROVEMENTS**

There were no changes to the tenant improvement provision. The Landlord, at their sole cost and expense, shall perform the tenant improvement work including any ADA compliant work. However, GSD has attached an ADA plan for reference and is waiting for the Landlord's consultant to provide a finalized report to ensure the site is ADA compliant.

**FISCAL IMPACT**

Funding for this location will be covered in the Citywide Leasing Account 2025-26 Fiscal Year (FY) 2025-26 Budget in the amount of \$760,546.32. The new additional rent amount

for Operating Expenses is projected to be \$394.19/mo. (\$410.76 for one month of the fiscal year) under the new amendment. There are no FY2024-25 expenses associated with this amendment. However, for the 2025-26 FY the maximum impact will be \$410.76. There is an estimated savings of \$133,738 due to a delay in lease execution causing rent abatements to occur during next FY and fewer months of escalated rent payments. There is no additional impact to the General Fund at this time. ITA has provided LAPD with estimated approximate ITA costs for the site based on previous projects.

<b>1440 N. Spring St. 2025-26 Proposed Lease Costs</b>				
	Monthly Proposed Costs	2025-26 Estimated Expense	2025-26 Budget Funding	2025-26 Estimated Funding Balance
Initial Rent (11 months)	\$56,392.00	\$620,312.00		
Rent Escalation (1 month)	\$58,084.00	\$58,084.00		
Rent Abatement		-\$84,588.00		
Utilities	\$6,000.00	\$30,000.00		
Tenant's TI Contribution		\$3,000.00		
<b>Additional Rent - Taxes &amp; Insurance (1 month)</b>	<b>\$410.76</b>	<b>\$410.76</b>		
<b>TOTAL</b>	<b>\$120,886.76</b>	<b>\$626,808.00</b>	<b>\$760,546.32</b>	<b>\$133,738.32</b>

**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 amendment with Spring Street SP, LLC located at 1440 N. Spring Street, Los Angeles, CA 90012 for vehicle parking and processing for the Los Angeles Police Department under the terms and conditions substantially outlined in this report.



Tony M. Royster  
General Manager

Attachments: Term Sheet  
Building Plan

## LEASING TERM SHEET

MFC DATE

May 29, 2025

LANDLORD

Spring Street SP, LLC

ADDRESS

970 W. 190 St. #995, Torrance, CA 90502

TENANT

City of Los Angeles - GSD

ADDRESS

111 E. 1st Street, 2nd Floor, Los Angeles, CA 90012

LOCATION

1440 N. Spring Street, Los Angeles, CA 90012

AGREEMENT TYPE

Lease

SQUARE FEET

Approximately 41,772 RSF

TERM

No change from original approval (60 months)

RENT START DATE

No change from original approval (Upon permit signoffs and tenant acceptance)

LEASE START DATE

No change from original approval (Upon City Clerk's Attestation)

OPTION TERM

No change from original approval (One 5-year option)

HOLDOVER

Was "None" - Revised to 103% for the first 6 months then 150% thereafter

SUBLET/  
ASSIGNMENT

No change from original approval (With Landlord's approval)

TERMINATION

No change from original approval (None)

RENTAL RATE

No change from original approval (\$56,392.20/mo.)

ESCALATION

No change from original approval (3% Annual Escalation)

RENTAL ABATEMENT

No change from original approval (1.5 month abatement)

ADDITIONAL RENT	City shall be responsible for PTAX and Insurance over a 2025 Base Year capped at a 7% maximum annually. 2026 maximum amount shall be \$410.76/mo. There shall be no operating expenses for the first 12 months of the Lease Term.
PROPERTY TAX	Yes: 2025 Base Year: \$38,541.00 annually
OPEX	Yes: Insurance: 2025 Base Year: \$31,875.00 annually
CAM	Actual charges will be billed back to the City
OTHER	No change from original approval (None)
SECURITY DEPOSIT	No change from original approval (None)
MAINTENANCE/ REPAIR	No change from original approval (The Landlord is responsible for all maintenance, at its sole cost and expense. This includes all daily maintenance and all major building systems and structural components such as electrical, plumbing, HVAC, fire sprinklers, landscape/hardscape and the roof. The City is responsible for utilities estimated at \$6,000 per month. If there are separate meters for this site, the City will pay directly. Furthermore, the Landlord shall be responsible for all environmental and hazardous materials issues prior to the commencement of the lease and ongoing to be further defined in the lease.)
TENANT IMPROVEMENTS	No change from original approval: (Landlord shall perform all work subject to final issuance of C of O. Scope of Work: -Ventilation/Fan system to allow tenant to utilize interior of the warehouse of the premises as automobile parking -New door to enter the premises via the southern entrance of the metal building -Remove the interior drywall, not structural wall as directed by Tenant except non load bearing walls that are connected to Building systems -ADA compliance -Install barbwire around the perimeter - Tenant shall reimburse up to \$3,000.)  Updated: ADA compliance to be confirmed via third party report provided by Landlord.
PARKING	No change from original approval (Included)
UTILITIES	No change from original approval (Tenant responsible for all utilities)
CUSTODIAL	No change from original approval (Landlord responsible for all custodial)
SECURITY	No change from original approval (Tenant)
PROP 13 PROTECTION	No change from original approval (N/A)
INSURANCE (City)	No change from original approval (Tenant shall indemnify and hold harmless Landlord)
OTHER:	No change from original approval

(Early Possession: Landlord shall provide 15 days early possession to set up prior to Lease Effective Date. Access to parking with Lease Execution. Late Fee: Tenant not subject to late fee.)

PRINT:

Clint Bird - Storm Properties

SIGNATURE:

