

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 22, 2007

CAO File No. 0640-01395-0001

Council File No. 06-1608

Council District: 14

To: The Budget and Finance Committee

From: Karen L. Sisson, Interim City Administrative Officer 

Reference: Council Action Dated December 20, 2006

Subject: **Proposed Acquisition of the Chicago Building**

SUMMARY

On December 20, 2006, when the Council considered the matter of acquiring the Chicago Building, located at 2130 East First Street, it became apparent that additional information was needed to clarify the use of the building and to determine the appropriate level and sources of funding. Consequently, the Council took several actions including instructions to this Office, with General Services (GSD) and the Chief Legislative Analyst, to report back on: a) a final stacking plan for tenancy at this building; b) that the previously approved MICLA financing for this project is determined to be \$11 million of taxable debt; and, c) that an additional allocation of \$1,425,000 would provide sufficient funds for tenant improvements at the facility.

When the Council considered the matter in December, it was reported that the full costs associated with acquiring and occupying the building would be about \$13.6 million, of which \$6.35 million would be needed for the "as-is" purchase of the building; \$6.5 million for tenant improvements and abatement of code violations identified by Building and Safety; and, \$750,000 for tenant relocation. The costs would be met as follows: \$1,175,000 in Community Development Block Grant (CDBG) monies, \$11 million in previously authorized MICLA funds plus a then proposed additional \$1,425,000 in new MICLA funding. Since that time, the Bureau of Engineering (BOE), GSD and Building and Safety have met and reassessed the condition of the building. BOE now states that \$11.3 million will be needed for repairs and tenant improvements at the building, an increase of \$4.8 million from the estimate of \$6.5 million reported in December 2006.

Based on the revised information from BOE and GSD, the total cost to purchase and rehabilitate the building and provide relocation assistance is currently estimated at \$18.4 million. A combined total of \$12.175 million in CDBG and MICLA funds have been approved to date to acquire and rehabilitate the building. Council District 14 has identified \$1.0 million in AB 1290 funds that it proposes be used towards the purchase and rehabilitation of the building. According to the Community Redevelopment Agency (CRA), these AB 1290 funds are unrestricted as to use within the Council district. An additional sum of \$5.225 million in MICLA would, therefore, be needed to complete the purchase of,

and make required improvements to, the building. The taxable and tax-exempt MICLA would total \$16.225 million.

It should be noted that the December 2006 Council action directed a Class "A" appraisal to determine the rehabilitation costs. However, BOE indicates that a Class "A" appraisal requires the development of full plans, which would take about one year to be developed. Instead, according to BOE, all of the cost estimates discussed above are based on Class "C" appraisals.

BOE proposes to perform the work in two phases. The first phase would cost \$2.0 million with the objective of making the building compliant with City Building Codes. The scope of the first phase would involve demolishing 7,500 square feet of non-compliant space on the third floor, demolishing all non-compliant additions to the building shell, conducting a hazardous materials survey and any needed removal, and performing Americans with Disabilities Act (ADA) improvements as well as improvements to the roof and heating, ventilation and air conditioning system. Other repairs would include sprinkler installation, elevator upgrades and repairs, and any other needed fire and life safety upgrades.

The second phase would cost \$9.3 million and would provide tenant improvements. The scope of the second phase would involve demolishing all interior areas, making tenant improvements for all entities that will occupy the building, including furniture and communications expenses as well as providing exterior improvements such as resurfacing the parking lot. BOE indicates that the second phase could run concurrently with the first phase. The total time required to perform all improvements is estimated to take about three years.

Council District 14 has developed a stacking plan intended to provide needed services in the district. The floor plan prepared by BOE reflecting the proposed space assignments is attached (see Attachment I). Specifically, the proposed stacking plan would site the following City departments at the building: City Attorney Neighborhood Prosecutor Program (three support staff), Department of Transportation One-Stop Store, Housing Department Systematic Code Enforcement Team (six to seven staff), Building and Safety Department Construction Inspectors and Operation/Code Inspectors, Aging Department Civic Engagement Program (one position to be requested and seven to 10 volunteers), Bureau of Street Services (nine staff consisting of three Clerk Typists, one Tree Surgeon Supervisor I, two Street Services Superintendents I, one Street Services Superintendent II, one Street Services Investigator and one position to be determined), Council District 14 Field Office, and a community room. Letters of commitment from the departments identified above are attached (see Attachment II). These letters indicate levels of commitment ranging from firm commitments to place specific positions in the building to general expressions of interest. These departments and the community room would occupy a combined total of 14,500 square feet of space. As part of our due diligence, we have contacted departments that would become occupants in the building and have received some, but not all, of the information requested. As a result, we cannot determine whether there would be any cost savings from relocations.

Separately, the CRA would occupy 1,000 square feet due to the relocation of its Adelante Eastside Project Area Team from the Banco Popular Building in downtown. About 750 square feet would be set aside on the first floor to be potentially developed as a coffee shop or mini-market for the

convenience of the building occupants. GSD would eventually issue a request for proposals to fill the space. A total of 3,120 square feet would be provided for restrooms/conference rooms and circulation space. In addition, the Community Development Department (CDD) would continue to operate the Youth and Family Center in 3,500 square feet, but because it shares a substantial portion of this space with nonprofit organizations, any debt issued for this portion must be taxable. Also remaining in the building will be the SCE Federal Credit Union (1,480 square feet) and El Centro de Ayuda, a nonprofit organization (3,250 square feet). It therefore appears that 8,230 square feet of the building must be purchased with non-MICLA monies or taxable MICLA debt.

It is now recommended that the CAO be authorized to issue both taxable and tax-exempt commercial paper as needed until the final occupancy of the building is determined and approved. At that time, the exact proportion of taxable and tax-exempt debt can be determined in accordance with the occupancy mix, and the issued debt re-financed as necessary. Our current analysis, based on the proposed mix of occupants and allocation of space, indicates that about \$1,165,000 of the total debt would need to be taxable as follows: 18 percent of the total square footage would be occupied by non-City entities (8,283 of 45,360 total square feet, which consists of 27,600 square feet in the building plus parking of 17,760 square feet). Accordingly, 18 percent of the total cost of \$18,400,000 is \$3,312,000, which is offset by non-MICLA funding of \$2,175,000 from CDBG and AB 1290, leaving a balance of \$1,165,000 to be financed by taxable MICLA funds.

Of the 27,600 square feet of usable space remaining after Phase I improvements are made, 19,317 square feet could be purchased with tax-exempt MICLA. An adjoining parking lot of 17,760 square feet, with spaces for 51 automobiles, is part of the \$6.35 million purchase price of the building. A separate leased lot holds 30 spaces for automobiles. In order to maintain a distinction between taxable and tax-exempt purchased space, it would be appropriate to require that only City staff be permitted to utilize the purchased parking lot and that non-City entities be directed to utilize the leased parking space. To maintain appropriate levels of taxable and tax-exempt debt financing, the proportion of space to ultimately be occupied by the City, including CDD and CRA, and non-City entities, should conform to the space allocations discussed above.

The Municipal Facilities Committee, comprised of the CAO, CLA and Mayor's representative, will monitor both the assigned space in the building and status of repairs and tenant improvements. BOE and GSD should therefore report regularly to that Committee on the status of that project. We note also that according to GSD, expected income from entities paying rent will total about \$138,000 annually. This rental income would partially offset the estimated \$1.3 million annual debt service costs to the General Fund (based on a total MICLA issuance of \$16.225 million).

The December 20, 2006 Council action also directed the Building and Safety Department to complete the final seismic inspection and to advise GSD as to the status and sign-off. GSD was also directed to work with Building and Safety and the BOE to report to the Budget and Finance Committee with cost estimates relative to: a) relocating current tenants; b) bringing the building into compliance with the Building Code; c) performing immediate repairs required for the building; and, d) seismically retrofitting the building as needed. At this time, we have not received copies of the requested reports, and, therefore, cannot comment on any such information except that contained in

this report. We anticipate that BOE, GSD and Building and Safety will provide all relevant information to the Budget and Finance Committee when this matter is considered.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, provide the funding needed for the Department of General Services to: a) purchase the building located at 2130 East First Street in the City of Los Angeles; b) close escrow once all conditions are met; and, c) pay for costs related to the acquisition and improvements to the property, as follows:

- 1) Authorize the issuance of an additional \$5,225,000 in MICLA financing for the acquisition and rehabilitation of the building located at 2130 East First Street in Los Angeles.
- 2) Authorize the CAO to issue both taxable and tax-exempt MICLA commercial paper as needed until the final occupancy of the building is determined and approved.
- 3) Request CRA to take the necessary actions to make available \$1.0 million in Council District 14 AB1290 funds for the purchase and rehabilitation of the building located at 2130 East First Street in Los Angeles.
- 4) Direct BOE and GSD to report regularly to the Municipal Facilities Committee on the status of the project.

FISCAL IMPACT STATEMENT

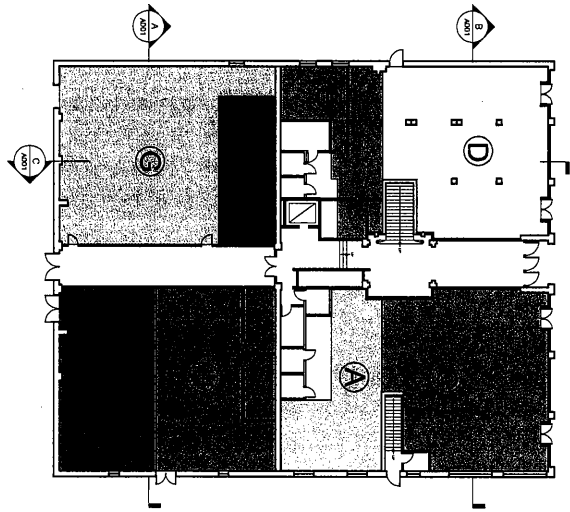
The \$16.225 million of proposed MICLA funding for this project is anticipated to be comprised of \$15.06 million in tax-exempt monies, and \$1.165 million in taxable monies. General Fund debt service repayment of the \$16.225 million will average approximately \$1.3 million annually for 20 years. As an offset to the debt service payments, it is projected that the Chicago Building will generate approximately \$138,000 in annual rental payments from non-City tenants. The portion of the debt service not covered by rental payments will be a General Fund impact beginning in Fiscal Year 2007-08.

DEBT IMPACT STATEMENT

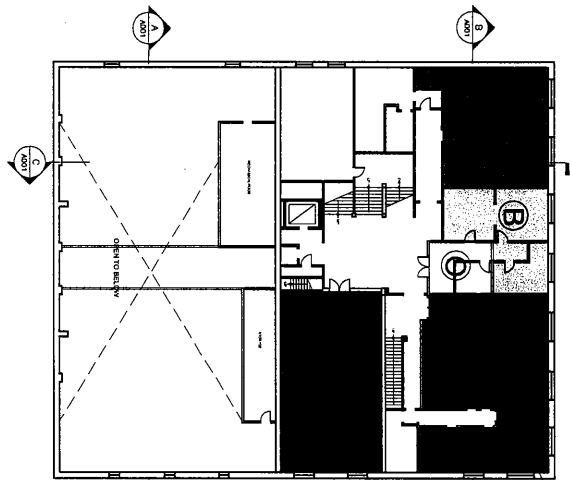
Issuance of the proposed \$16.225 million in MICLA funding will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies, Debt Management Section. The \$16.225 million in MICLA monies will result in General Fund debt service repayments of approximately \$1.3 million annually for 20 years.

Attachments

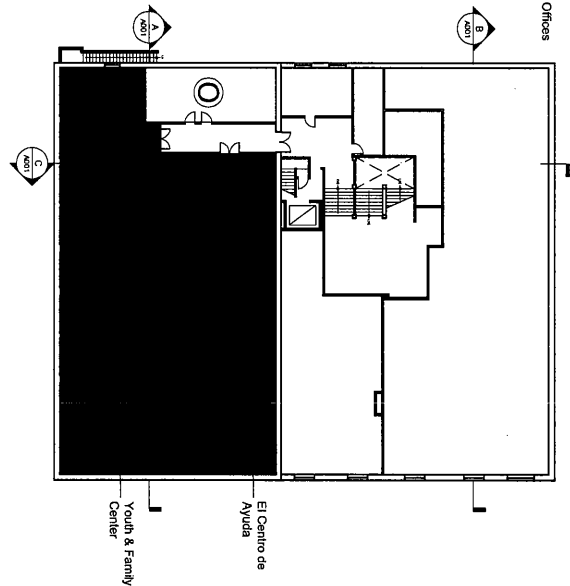
KLS:RAS



G-1 FIRST FLOOR - PROPOSED PLAN
A002 SCALE: 1/8" = 1'-0"



G-6 SECOND FLOOR - PROPOSED PLAN
A002 SCALE: 1/8" = 1'-0"



G-12 THIRD FLOOR - PROPOSED PLAN
A002 SCALE: 1/8" = 1'-0"

A
B
D
G
O

- | | |
|---|---------------------------|
| NAME | ESTIMATED ALLOCATED SPACE |
| • NEIGH. PROSECUTOR PROGRAM/ CENT. | 1,050 SQ.FT. |
| • DOT ONE STOP STORE | 750 SQ.FT. |
| • HOUSING DEPARTMENT | 2,400 SQ.FT. |
| • LABS CONST. INSPECTORS | 2,000 SQ.FT. |
| • LABS OPERATION CODE INSPECTORS | 1,000 SQ.FT. |
| • AGING DEPARTMENT | 1,500 SQ.FT. |
| • NEW COMMUNITY ROOM | 2,250 SQ.FT. |
| • B.S.S. | 1,800 SQ.FT. |
| • CD-14 OFFICES | 1,750 SQ.FT. |
| • CRA | 1,000 SQ.FT. |
| • S.C.F.C.U. | 1,480 SQ.FT. |
| • EL CENTRO DE AYUDA | 3,250 SQ.FT. |
| • CDD/ YOUTH, FAMILY CTR | 3,500 SQ.FT. |
| • RESTROOMS/ CONF. RMS & SUPPORT SERVICES | 2,500 SQ.FT. |
| • CONCESSIONS | 750 SQ.FT. |

26,980 SQ.FT.

ESTIMATED ALLOCATED SPACE

NOTE:

- 30,600 SQ.FT. (ESTIMATED EXISTING BUILDING SQUARE FOOTAGE PER GSD, INCLUDING CIRCULATION) - 3,000 SQ.FT. (CODE NON-COMPLIANT AREA TO BE DEMOLISHED) = 27,600 SQ.FT.
- EXISTING PARKING SPACES: 51 ON-SITE : 30 ADJACENT (LEASE) : 81 SPACES TOTAL
- *SQUARE FOOTAGE REQUIREMENT MAY CHANGE, DUE TO LADBS&S REQUIRED ADA/ RESTROOM REQUIREMENTS.

CONCEPTUAL/
PRELIMINARY
NOT FOR CONSTRUCTION

BOYLE HEIGHTS NEIGHBORHOOD CITY HALL
COUNCIL DISTRICT 14

PROPOSED STACKING PLANS

LA DPW
ENGINEERING
WE PRESENT ;
IMAGINING THE FUTURE
ARCHITECTURAL DIVISION

CITY OF LOS ANGELES
CALIFORNIA

GLORIA J. JEFF
GENERAL MANAGER



**DEPARTMENT OF
TRANSPORTATION**
100 S. Main St., 10th Floor
LOS ANGELES, CA 90012
(213) 972-8470
FAX (213) 972-8410

ANTONIO R. VILLARAIGOSA
MAYOR

Date: February 6, 2007
To: Karen Sisson, Interim CAO
From: *Iris Ingram*
Iris I. Ingram, Assistant General Manager
Department of Transportation
Subject: Chicago Building Commitment Letter

2007 FEB -7 PM 2:41

The letter serves to confirm the Department of Transportation's interest in occupying space in the Chicago Plaza Building, which will be the future home of the Boyle Heights Constituent Services Center.

Pursuant to our conversations with Council District 14 staff, we have agreed to examine what aspects of the DOT operations would work best to address the concerns and needs of the community in Boyle Heights and the East Los Angeles area in general.

Should you have any questions, please feel free to contact Iris Ingram, Assistant General Manager, Department of Transportation at iris.ingram@lacity.org or (213) 972-8426.

- C: Ramon Soto, CAO
- Reginald Jones-Sawyer, GSD
- David Roberts, GSD
- Rogelio Navar, CD 14
- Mahmood Karimzadeh, BOE
- Paul Young, BOE



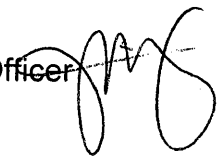
TO: Ramon Soto

2007 FEB -7 PM 9:15
ATTN: [unclear]

OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

February 6, 2007

TO: Karen Sisson, City Administrative Officer

FROM: Jennifer Krieger, Chief Administrative and Financial Officer
Office of the City Attorney 

SUBJECT: Chicago Plaza Building

The letter confirms the City Attorney's interest in occupying a limited amount of space in the Chicago Plaza Building, which will be the future home of the Boyle Heights Constituent Services Center.

Specifically, space would be used to house three out of six support staff for the Central Bureau's Neighborhood Prosecutor Program that cannot be accommodated at the soon to be completed Hollenbeck Police Station or other City facilities. Our Neighborhood Prosecutors for this area and the remaining support staff members will in fact be housed at the soon to be completed Hollenbeck Police Station nearby.

Should you have any questions, please feel free to contact me at (213) 978-8366.

cc: Ramon Soto, CAO,
Reginald Jones-Sawyer, GSD
David Roberts, GSD
Rogelio Navar, CD 14
Mahmood Karimzadeh, BOE
Paul Young, BOE





1200 W. 7th Street, 9th Fl. Los Angeles, CA 90017
tel 213.808.8808 | fax 213.808.8616
www.lacity.org/lahd



Antonio R. Villalobos, Mayor
Mercedes Márquez, General Manager

January 22, 2007

Karen Sisson
Acting City Administrative Officer
City Hall East
200 N. Main Street, Room 1500
Los Angeles, CA 90012

Chicago Building – LAHD Letter of Interest

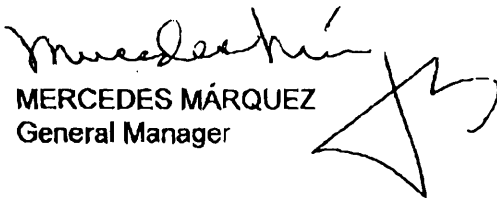
Dear Ms. Sisson:

This letter serves to confirm the Los Angeles Housing Department's (LAHD) interest in occupying space in the Chicago Building in Council District 14.

Per discussions with CD 14 staff, we have agreed to relocate LAHD staff, with the understanding that there will be no costs associated with this tenancy, except for those we incur in physically relocating our staff. We would relocate a Systematic Code Enforcement Team, consisting of six staff: one Senior Housing Inspector, three Housing Inspectors, one Assistant Housing Inspector, and one Clerk Typist. In addition, if staff resources allow, we would also relocate a Rent Investigator. This Team will service the eastside areas of the City, including Boyle Heights.

Should you have any questions, please feel free to contact Yolanda Chavez, Executive Officer, at 213-808-8405.

Yours sincerely,


MERCEDES MÁRQUEZ
General Manager

cc: Rogelio Navar, Council District 14
Scott Eritano, CAO Office

KLS



2007 FEB -7 AM 8:50
CITY OF LOS ANGELES

OFFICE OF THE MAYOR
ANTONIO R. VILLARAIGOSA

February 5, 2007

Karen Sisson
City Administrative Officer
200 N. Main Street, Room 1500
Los Angeles, CA 90012

Dear Ms. Sisson: *K/S*

This letter serves as a letter of support for the Department of Building and Safety's interest in occupying space in the Chicago Plaza Building, which will be the future home of the Boyle Heights Constituent Services Center.

Pursuant to conversations with Council District 14 staff, the Department of Building and Safety has agreed to relocate construction inspectors from Eagle Rock as well as code enforcement inspectors from other locations to the building.

Should you have any questions, please feel free to contact Andrew Adelman, General Manager of the Department of Building and Safety, at (213) 482-6800.

Very truly yours,

Robert R. "Bud" Ovrom
Deputy Mayor
Housing and Economic Development

RRO:mw

- cc: Ramon Soto, Office of the City Administrative Officer
- Reginald Jones-Sawyer, General Services Department
- David Roberts, General Services Department
- Rogelio Navar, Council District 14
- Mahmood Karimzadeh, Department of Public Works, Bureau of Engineering
- Paul Young, Department of Public Works, Bureau of Engineering



LAURA TREJO
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

January 26, 2007

DEPARTMENT OF AGING
AN AREA AGENCY ON AGING
3580 WILSHIRE BLVD., STE. 300
LOS ANGELES, CA 90010
(213) 252-4000

Councilmember José Huizar
Fourteenth Council District
200 N. Spring Street, Room 425
Los Angeles, CA 90012

Attention: Luis Hernandez

CHICAGO PLAZA BUILDING COMMITMENT

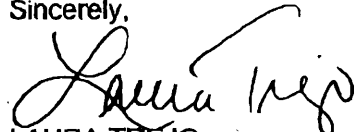
Thank you for your generous offer for the City of Los Angeles Department of Aging (LADOA) to be part of the Boyle Heights Constituent Center planned for the Chicago Plaza Building (2130 E. First Street, Los Angeles, CA 90033).

Per our preliminary discussion with Luis Hernandez, Field Deputy of the North-East for Council District 14, on January 19, 2007, we are committing one new full-time member of LADOA's staff. We are planning to request this position in our budget for FY 08-09. In addition, we will have seven to ten volunteers to work at the constituent center once its renovation is completed in two to three years from now. We are also committing the necessary computer and office equipment to accommodate our staff.

Our contributions to the Constituent Center will be in an effort to establish a civic engagement program including a training facility. Per our discussion with Mr. Hernandez, we will need a minimum of 2,500 sq. ft. for this endeavor and if determined that it is not a feasible option for this facility, LADOA will have staff tending a public counter providing information, assistance and other critical services to the seniors and caregivers in the community.

LADOA has assigned Marco Perez, Deputy Director, to assist your staff in any way possible. Please contact Mr. Perez at (213) 252 4081 or e-mail him at marco.perez@city.org.

Sincerely,


LAURA TREJO
General Manager

(1,500)

LT:JD:MP:sm:m\marco\Chicago Building.doc

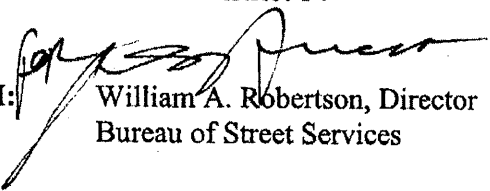
cc: Rogelio Navar, Council District 14
✓Samantha Yu, Council District 14
David L. Roberts, General Services Department
Mahmood Karimzadeh, Public Works, BOE
Reza Bagherzadeh, Public Works, BOE
Jody Yoxsimer, City Administrative Officer
Ramon Soto, City Administrative Officer



CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: January 29, 2007

TO: Luis Hernandez, Field Deputy
 Council District 14

FROM:  William A. Robertson, Director
 Bureau of Street Services

SUBJECT: Relocation of Staff to Chicago Building

The Bureau of Street Services (BSS) appreciates your offer to allocate space at the Chicago Building for the relocation of staff. Our presence at the Chicago Building will facilitate service delivery to the residents of the City. We have identified nine positions that would staff the Chicago Building as follows:

<u>No.</u>	<u>Class Code</u>	<u>Title</u>
3	1358	Clerk Typist
1	3117-1	Tree Surgeon Supervisor I
2	4158-1	Street Services Superintendent I
1	4158-2	Street Services Superintendent II
1	4283	Street Services Investigator
<u>1</u>	xxxx	To Be Determined
9		

If you require any additional information, please contact Joseph F. Cruz, Chief Management Analyst at 213-847-2822.

c: Reza Bagherzadeh, Bureau of Engineering
 Mahmood Karimzadeh, Bureau of Engineering
 Rogelio Navar, Council District 14
 Ron Olive, Bureau of Street Services
 David L. Roberts, General Services Department
 Nazario Saucedo, Bureau of Street Services
 Ramon Soto, Office of the City Administrative Officer
 Jody Yoxsimer, Office of the City Administrative Officer
 Samantha Yu, Council District 14