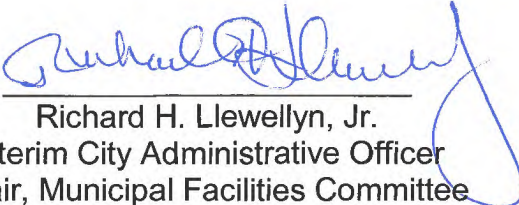


TRANSMITTAL

TO Council	DATE 01-05-18	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 7

At its Special meeting held on December 21, 2017, the Municipal Facilities Committee adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize GSD to negotiate and execute a lease agreement between the City and Extra Hubbard LLC, for space utilized by Council District Seven as a field office located at 14117 Hubbard Street. There is no immediate impact on the General Fund as leasing costs will be funded through GSD's leasing account, with any potential year-end deficit to be reported and addressed as part of the Financial Status Reports.


Richard H. Llewellyn, Jr.
Interim City Administrative Officer
Chair, Municipal Facilities Committee

RHL:JMS/RWS:05180080

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

December 21, 2017

Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Attention: John White, Legislative Assistant

**REQUEST FOR AUTHORIZATION TO NEGOTIATE AND EXECUTE
A LEASE RENEWAL BETWEEN THE CITY OF LOS ANGELES AND
EXTRA HUBBARD, LLC AT 14117 HUBBARD STREET, SYLMAR, CALIFORNIA**

The Department of General Services (GSD) requests authority to renew an existing lease agreement for the field offices of Council District 7 (CD 7).

BACKGROUND

The Councilmember for CD 7 operates a field office at 14117 Hubbard Street, Unit E in Sylmar, California. This location was previously used by the former Councilmember and is ideal for the business of communicating with area constituents and business people. The field office location is also most suitable for travel throughout the Council District and to and from downtown Los Angeles City Hall as it is equidistant to the 210, 118, and the 5 freeways. The 1,934 square foot office space is within the one-story 27,000 square foot Hubbard Shopping Center. The center is modern, clean and attractive.

Locating traditional office space in the immediate area is a challenge due to the lack of inventory and older office spaces; many not meeting the American with Disabilities Act requirements. Retail and commercial spaces are more expensive due to location, access and provision of adequate free parking.

The landlord is accommodating the City of Los Angeles (City) by allowing a modified retail lease agreement. The landlord provides office cleaning, trash pick-up, and pays for utilities which is uncommon in retail leases. The landlord applies a common area maintenance (CAM) cost of \$0.45 per square foot, which is applied to all of the retail tenants in the mall. The retail tenants generally pay for most of the services and utilities provided in this agreement, which can add \$1.00 to \$1.50 to the base rent which averages about \$2.50. The additional costs includes utilities, taxes, insurance, trash collection, cleaning and common area maintenance which brings the total rent cost for retail space to about \$3.00 to \$4.00 per square foot. The negotiated base rent for this agreement is \$2.95 per square foot. The landlord has recently improved the space at the cost of approximately \$11,000 at no cost to the City. In consideration of the exhaustive search for class "A" office space and the lack of superior retail space in the area, the Councilmember agreed that remaining at the current space may be the best option, saving the costs associated with planning, physical move and relocation of communications while continuing to provide a familiar location for constituents.

TERMS AND CONDITIONS

The lease agreement will contain the following:

- LOCATION: 14117 Hubbard Street, Unit E, Sylmar CA 91342
- LANDLORD: Extra Hubbard LLC.
- USE: Office Space
- SQUARE FEET: 1,934
- TERM: 4 years
- OPTION: Two 4-year options
- HOLDOVER: Should the City remain in possession after termination, tenancy shall be from month-to-month.
- RENTAL RATE: The monthly Base Rent per rentable square foot of the Premises during the Lease Term shall be \$2.95 per rentable square foot Modified Gross per month.
- ESCALATION: Base Rent shall be increased by three percent per annum.
- PARKING: Tenant shall have the right to park vehicles in the surfaced lot adjoining the subject property. (Adequate parking is present)

TENANT

IMPROVEMENTS: Landlord shall install new flooring (carpet) and re-paint the interior at no cost to the Tenant.

MARKET ANALYSIS

Retail and commercial base rents in the Sylmar area average about \$2.50 per square foot – Triple Net (NNN). A Triple Net lease requires the tenant to pay base rent plus expenses such as taxes, utilities and certain services. Because the landlord pays for utilities and services in the proposed agreement, the modest increase from the current \$2.75 per square foot to \$2.95 per square foot falls below many retail base rents not including expenses. Please see attached exhibits.

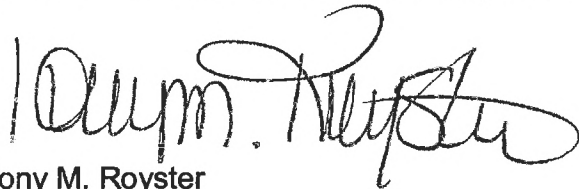
1125-1225 Truman Street	\$3.40 per SF/MO Plus expenses
11912- 11974 Foothill Blvd.	\$2.12 per SF/MO Plus expenses
13931-13945 Van Nuys Blvd.	\$2.50 per SF/MO Plus expenses

FISCAL IMPACT

The annual expense for the first year of the lease contract would total approximately \$78,907 including the CAM charge. This will be an increase of \$4,079 over the \$74,825 that is currently budgeted. GSD will pay for the cost of this lease from the Leasing Account and request additional funding if necessary.

RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a real property lease agreement with Extra Hubbard LLC, for the continued use of office space at 14117 Hubbard Street, Unit E, Sylmar, California under the terms and conditions substantially as outlined in this report.



Tony M. Royster
General Manager

Search Criteria Result List Result Detail

9 Lease Comps

Lease Comps Analytics Map

Sign Date	Start Date	Address	City	Floor	SF Leased	Rent/SF/Mo	Services	Rent Type	Use	Lease Type	Term	Exp Date
Jun 2016	Jul 2015	1126-1225 Truman St	San Fernando	1st	2,098	\$3.40	NNN	Starting	Retail	Direct	5 yrs	Jul 2020
Feb 2016	Mar 2015	777-803 Truman St	San Fernando	1st	2,400	\$2.50	NNN	Asking	Retail	Direct		
Oct 2014	Jan 2018	13884 Foothill Blvd	Sylmar	1st	2,249	\$4.38	NNN	Effective	Retail	Direct	10 yrs	Dec 2025
Apr 2010	May 2010	11912-11874 Foothill Blvd	Lake View Terr...	1st	2,400	\$2.12	NNN	Effective	Retail	Direct	5 yrs	Apr 2015
Feb 2008	Mar 2008	11208-11212 Glencoka Blvd	Pasadena	1st	2,800	\$2.50	NNN	Asking	Retail	Direct	1 yr	Mar 2009
May 2007	Jul 2007	1125-1225 Truman St	San Fernando	1st	2,535	\$2.70	NNN	Starting	Retail	Direct	5 yrs	Jul 2012
Jun 2006	Jul 2006	13700-13774 Foothill Blvd	Sylmar	1st	2,000	\$3.00	NNN	Asking	Retail	Direct		
Jan 2006	Mar 2006	13931-13945 Van Nuys Blvd	Arleta	1st	2,200	\$2.50	NNN	Asking	Retail	Direct		
Jan 2006	Mar 2006	13931-13945 Van Nuys Blvd	Arleta	1st	2,200	\$2.50	NNN	Asking	Retail	Direct		

0 Lease Comps Selected

CoStar Research My Data Shared Data Lease Analysis

Search Criteria Result List Result Detail

53 Lease Comps

Lease Comps	Analytics	Map				
Rents Per SF	Survey	Low	High Volume	Survey	Low	High
NNN Asking Rent	\$1.81	\$0.50	\$3.25 Deals	53	-	-
NNN Starting Rent	\$1.79	\$0.50	\$4.00 SF Leased	129,464	2,000	3,000
NNN Effective Rent	\$2.18	\$1.12	\$5.01 Average Deal SF Buildings	2,442	2,000	3,000
				37	-	-
Concessions	Survey	Low	High Building SF	806,241	2,037	132,543
Months Free Rent	3.5	2.0	6.0			
TI Allowance Per SF	\$0.00	\$0.00	\$0.00 Time on Market	Survey	Low	High
Concessions	-	-	- Months on Market	11.0	1.0	77.1
Asking Rent Discount	-2.1%	-70.2%	26.5% Months Vacant	12.1	1.6	78.0
Annual Rent Increase	4.1%	2.0%	7.0% Average Term in Years	0.5	0.1	5.5

Charts

Asking Rents

Deals by NNN Asking Rent
 Asking Rents By Service Type

Concessions

Deals by Months Free Rent

Actual Rents

Deals by NNN Starting Rent
 Deals by NNN Effective Rent

Leasing Volume

Leased SF by Deal Type
 Deals by Lease Terms in Years

Time On Market

Probability of Leasing in Months
 Deals by Months On Market