

CITY OF LOS ANGELES
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January 5, 2015

Approved on 1-5-15 by
The Municipal Facilities Committee

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

Attention: Eric Villanueva, Legislative Assistant

**REQUEST TO AMEND TERMS OF THE LEASE OF
LEWIS, BRISBOIS, BISGAARD & SMITH, MAJOR TENANT
AT 221 NORTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA**

The General Services Department (GSD) requests authority to negotiate and execute an amendment to an existing lease with the law firm of Lewis, Brisbois, Bisgaard & Smith (LBBS), who has been displaced from their offices located within the City-owned 221 North Figueroa tower as a result of damage to the building from the Da Vinci apartment construction site fire on December 8, 2014. LBBS leases eight full floors and one partial floor in the 221 tower of Figueroa Plaza for a total of approximately 163,881 rentable square feet.

The purpose of the proposed amendment is to revise two time-sensitive clauses in the lease relating to rights and notifications of the tenant and of the City under the current situation. Recommendations in this report are the result of extensive review by the working group comprised of GSD, CAO, CLA and Mayor staff, formed to address these and other issues relating to the relocation and restoration that may occur due to the damage at Figueroa Plaza.

BACKGROUND

LBBS was displaced from their offices on December 8, 2014. To continue their operations, LBBS has now leased office space in another downtown building.



Article X of the LBBS lease, "Damage or Destruction," details the rights and obligations of the parties in an event such as the December 8, 2014 fire.

Section 10.01 of that Article, "Restoration," provides, in part, that:

The City (Landlord) must repair the damage to the Building or to the Premises (but not to the Tenant Improvements, equipment, trade fixtures or furniture which Tenant is required to insure) unless the time to repair the damage would exceed 180 days. See Subsection 10.01(v).

Section 10.03, "Termination," reads, in its entirety:

In the event that an occurrence occurs as set forth in (i), (ii), (iv) and/or (v) of Article 10.01, this *Lease shall automatically terminate unless, within **thirty (30) days** of such damage or destruction, Landlord has sent Tenant a notice stating that Landlord has elected to repair* the Building and, when appropriate, the Premises (but not the Tenant improvements, equipment, trade fixtures or furniture which Tenant is required to insure) and will commence such repairs as completed as soon as reasonably possible. Provided, however, in the event the Building and/or Premises are damaged, and Tenant cannot reasonably anticipate that its full use of, and access to, the Premises can be restored to it within one hundred eighty (180) days, inclusive of Tenant Improvements, then *Tenant may terminate this Lease upon notice to Landlord given within **thirty (30) days** of such damage or destruction.* (Emphasis added.)

GSD has been advised by the consultant teams advising on this project that it will take more than 180 days to repair the damage. The lease, therefore, terminates automatically within 30 days of the damage unless the City notifies the tenant within that period that it intends to repair the building. At the same time, LBBS has the right to terminate the lease within the same 30-day period if LBBS cannot reasonably anticipate full use of their space within 180 days of the damage, including reconstruction of their tenant improvements.

The Da Vinci fire occurred on December 8, 2014, so both of the 30-day periods referenced in Section 10.03 will end on January 7, 2015. LBBS has requested that both of those 30-day periods referenced in Section 10.03 be extended from 30 days to 90 days (with the 90-day window ending on Sunday, March 8, 2015). According to LBBS, this would give both parties sufficient time to evaluate their options. Both parties agree that this amendment will apply only to the Da Vinci incident and not to any possible future incident.

The City working group does not object to LBBS' proposed mutual time extensions and believes that the City would benefit from a 90-day window to assure that a thorough evaluation of the building can be completed and evaluated to confirm that it is in the

best interests of the City to restore the building rather than demolish it. While it is widely believed that restoration of the damage can be achieved, this can only be determined by an in-depth evaluation yet to be conducted. The 90-day time period sought under this report is consistent with the timing requirements under the MICLA bond documents governing the bonds issued for Figueroa Plaza.

The City working group is recommending that both the City's and LBBS' notification time periods, as outlined above, be extended from 30 to 90 days. It does not recommend approval of the LBBS time extension without the approval of the City time extension.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund.

RECOMMENDATIONS

That the City Council authorizes the Department of General Services to negotiate and execute an amendment to the lease of Lewis, Brisbois, Bisgaard and Smith (LBBS) which will modify Section 10.03 of the lease to provide both:

- 1) A 90-day period during which the City may notify LBBS of its decision on whether or not to repair the damaged tower as outlined in this report, and
- 2) A 90-day period during which LBBS may terminate the lease under conditions as outlined in this report.



Tony M. Royster
General Manager