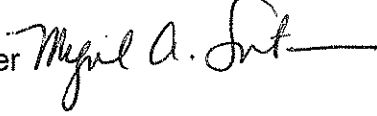


CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE

0150-09969-0000

Date: April 12, 2013

To: The Honorable Members of the City Council  
Attn: Information, Technology and Governmental Services Committee

From: Miguel A. Santana, City Administrative Officer 

Subject: **REQUEST FOR AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW NON-PROFIT LEASE AGREEMENT WITH THE BOYS AND GIRLS CLUB OF SAN FERNANDO VALLEY FOR CITY-OWNED PROPERTY AT 11251 GLENOAKS BOULEVARD IN CD 7**

**SUMMARY**

On February 20, 2013, Council District 7 introduced an Alarcon/Wesson Motion (C.F. 12-1317-S1) which instructed the City Administrative Officer (CAO), with assistance of the Department of General Services (GSD), the Community Development Department and the City Attorney to *"report to Council with the required actions and/or authorities to lease for an additional 30 years to the Boys and Girls Club of San Fernando Valley the City-owned property at the intersection of Van Nuys Boulevard and Glenoaks Boulevard."* The Motion was referred to the Information Technology and Governmental Services Committee (ITGS) and on March 26, 2013, the Chair of the Committee reiterated the instructions in the Motion and directed our Office to prepare the report for consideration by the Committee so that the item could be transmitted to Council for its approval.

My Office worked directly with CD 7 to gather the necessary information from the Boys and Girls Club of San Fernando (Club) in order to do the appropriate community benefit and financial analysis consistent with Council directions and the City's Proposed Non-Profit Leasing Policy. Based on the information considered, this Office has determined that there is sufficient community benefit that exceeds the rental value of the property and that approval of a new non-profit lease with the Club is consistent with the City's non-profit leasing practice.

**Background**

The Boys and Girls Club of San Fernando (Club) is a community non-profit 501(c)3 agency which was established in December 1966 in the Northeast San Fernando Valley. The Club is a member agency of Boys and Girls Clubs of America. With more than 46 years of history, this Club is the oldest not for profit full service youth agency serving more than 2,000 youth annually in Pacoima and the surrounding communities. The mission of the Club is to enable young people, particularly those below the poverty line, to reach their full potential as productive, caring, responsible citizens through its many programs. Programs offered by the Club include Arts, Education and Career Development, Character and Leadership Development, Sports, Fitness, Recreation activities and Health and Life Skills training.

In October 1982, the Council approved a long term (20 year) lease with the Club for a City-owned site at 11251 Glenoaks Boulevard in Pacoima. Since the inception of the lease, the Council has approved additional funding to the Club through the Consolidated Plan and, in 1998, the Proposition K: L.A. for Kids Program provided funding for renovation of the facility on the property which has a required service payback to at least March 2019. It should be noted that the Club has invested significant monies for tenant improvements to enhance its program delivery and is in the process of completing a multi-purpose sportsfield and track at the location. In 1998 the lease was extended by 11 years to October 2013. In order to ensure continuous delivery of these valuable services, Council District 7 has

now proposed a lease extension of 30 years to the Club. Based on advice from the City Attorney's Office a new lease will have to be established because adding on to the existing 31 year lease would cause the total term of the lease to exceed the 55-year limit on leases. It is therefore recommended that a new long term lease be established for the Club and that that lease be consistent with the guidelines set forth in the City's 2010 Non-Profit Leasing Policy. Although not yet approved by Council, when considering new non-profit leases, the practice has been to evaluate in conformance with the policy.

**Community Benefit and Budget** – For purposes of determining the community benefit and financial analysis, this report looks only at the direct expenses included in the budget for the services provided by the Club. The value of the in-kind services provided through the Club may be higher but are not included in the analysis.

The 2012-13 Budget for the Club is approximately \$1.24 million. Over the proposed 30-year term of the lease, including allowances for a five percent annual increase in expenses, the amount projected to be spent on services totals approximately \$87.89 million. The Club currently employs eight full-time and four part-time positions and pays \$157,927 in payroll taxes.

**Rental Value for Thirty-Year Term** - Based on information provided by GSD Real Estate Services, the market rate rent for office and retail spaces in the Pacoima area is between \$1.50 and \$1.75 per square foot. Considering that information, the value of the rent for the space proposed for the Club would be \$45,000 to \$52,500 each month or \$540,000 to \$630,000 annually. The total rental value over the 30-year period would be from \$16 million to \$19 million. It should be noted that the proposed lease is consistent with the City's Non-Profit Leasing policy in that the rental value of the office space is exceeded by the annual contribution in services from the non-profit.

#### **FISCAL IMPACT**

Approval of the lease would not have an impact on the General Fund. The proposed lease with the Boys and Girls Club of San Fernando will result in a rental value opportunity cost of between \$18 million to \$19 million over the 30 years which is addressed by economic community benefits of \$87.89 million in direct expenses over the same time period. Additionally, the Boys and Girls Club will be financially responsible for all maintenance, repairs, utilities, janitorial and security costs associated with the property as well as for all tenant improvement costs required to improve the space.

#### **RECOMMENDATION**

That the Council, subject to approval by the Mayor:

Authorize the Department of General Services to negotiate and execute a new 30 year lease agreement with the non-profit Boys and Girls Club of San Fernando for space at 11251 Glenoaks Boulevard for \$1 a year in exchange for its substantial community benefit provided to the Pacoima and San Fernando Community as detailed in the attached term sheet, subject to review and approval by the City Attorney's Office as to form.

MAS:JLVW:05130075

Attachment: Term Sheet prepared by Department of General Services Real Estate Services

# TERM SHEET

## BOYS AND GIRLS CLUB OF SAN FERNANDO VALLEY 11251 GLENOAKS BLVD., PACOIMA, CA

- Use: Community youth activity center
- Improvements size: 30,000 square feet
- Duration: 30 Years
- Rent: \$1. per year
- City obligations: None
- Lessee obligations: Provide all maintenance  
Make all repairs  
Pay all utilities  
Provide any necessary security  
Provide proof of insurance

Prepared by: GSD Real Estate Services