

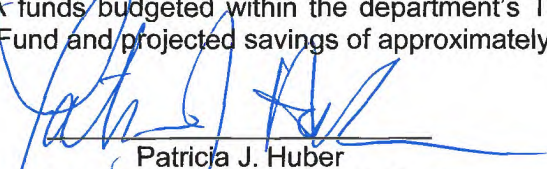
0150-10800-0000

TRANSMITTAL

TO Council	DATE 01-27-17	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting of January 26, 2017, the Municipal Facilities Committee noted and filed the attached Department of General Services (GSD) report, with verbal instructions to staff to proceed with a third lease amendment for Contract No. 128623 to: 1) provide one additional month for the Information Technology Agency to relocate its Channel 35 staff from this space; and, 2) authorize an increase in the monthly rental rate from \$20,000 to \$30,000. Council authority is hereby requested to authorize GSD to negotiate and execute the third amendment to Contract No. 128623 with the proposed terms indicated herein, for office space located at 120 South San Pedro Street.

In September 2016, Council authorized a second amendment to extend the lease term to expire on February 28, 2017 (C.F. 12-1790). Due to delays in receipt of broadcast equipment, ITA requires one additional month to relocate to its new workspace in order to avoid potential disruption of Channel 35 broadcasts. The proposed third amendment would add one additional month to the current lease term, for a revised lease expiration date of March 31, 2017. There is no impact on the General Fund as a result of the recommended authorities. Since the current lease terms do not include holdover provisions, the landlord is able to implement a rental increase from the current monthly rate of \$20,000 to a revised rate of \$30,000. However, GSD has advised that the effective monthly rental rate proposed is comparable to market rates within the rental area. The lease contract is funded through 2016-17 with ITA funds budgeted within the department's Telecommunications Liquidated Damages and Lost Franchise Fees Fund and projected savings of approximately \$20,000 anticipated.



Patricia J. Huber
Acting City Administrative Officer
Chair, Municipal Facilities Committee

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January 26, 2017

Miguel A. Santana, Chair
Municipal Facilities Committee
200 N. Main Street, Suite 1500
Los Angeles, CA 90012

**MUNICIPAL FACILITIES SPACE OPTIMIZATION
PROJECT THIRD QUARTER FY 2016-17 REPORT/UPDATE**

As directed by Council and Mayor (CF 10-0597), the following report presents updates and changes to the Space Optimization Project (Plan) and the effects these changes have on the 6030 Leasing Account.

LEASING ACCOUNT STATUS

GSD is projecting lease savings of \$926,099 and shortfalls of \$769,891, resulting in a year-end surplus of \$156,208 in the Leasing Account. A deficit of \$119,638 was reported in the second quarter update. This deficit has been offset due to additional savings as detailed below.

LEASING ACCOUNT SAVINGS:

3550 Wilshire Blvd

The Los Angeles Department of Building & Safety (LADBS) relocated staff from the 18th floor at 3550 Wilshire Blvd to the 11th & 12th floors of 221 Figueroa Plaza in September 2016. As GSD received full-year funding in the 2016-17 budget, savings of \$474,610 was realized for nine months of lease payments, (October 2016 – July 2017).

The City's central telecom point (IT Hub) was relocated from the LADBS space to the Housing & Community Investment Department (HCID) space on the 15th floor. Costs for the IT Hub relocation totaled \$26,887 and are funded through lease savings.

Additional costs for decommissioning work totaled \$18,197 are also funded through lease savings.

6030 Savings: \$429,525

1016 Mission Rd

A GSD audit of the leasing account contracts revealed a data entry error for the May-June rental payment projections. The correction reduced the lease cost projection from \$1,141,991 to \$892,991.

6030 Savings: \$249,000

304 S. Broadway (Bradbury)

This lease will terminate as part of the 201 Figueroa Plaza Restack Project relocating LAPD Internal Affairs Division (IAD) to Fig Plaza 15th & 16th floors, and the 6th floor Suite 610 which is currently occupied by the Inspector General (IG).

The majority of staff moved into their permanent location on the 15th & 16th floors in December 2016. On January 13, 2017 approximately 40 remaining staff members moved into temporary space comprising LAPD's 15th & 16th floor hearing rooms and 6th floor conference center. A subsequent move to their permanent space in Suite 610 is pending relocation of the Office of the Inspector General and completion of TI's (see 350 S Figueroa below).

The Bradbury lease is funded for eight months through February 2017. It was last reported that it may necessary to expend all of these funds if the move did not occur by January. Having met the target move date, \$133,837 is added to the savings total as the lease will terminate at the end of January 2017.

Additional savings of \$53,575 are realized due to termination of parking leases associated with Bradbury (308 Hill, 333 S. Spring, and 222 S. Spring).

6030 Savings: \$187,412

Various Leases

Net sum of minor savings/increases from several leases due to normal fluctuations in Utilities, HVAC, and Common Area Maintenance costs.

6030 Savings: \$60,162

LEASING ACCOUNT DEFICITS:350 S. Figueroa Blvd

At its meeting on June 22, City Council authorized GSD to negotiate and execute a new lease relocating the Office of the Inspector General (IG) from the 6th floor of 201 Figueroa Plaza to the World Trade Center (WTC) at 350 S. Figueroa Blvd. The lease was initially projected to be executed in October 2016 with a December move-in at an estimated cost of \$492,596 for seven months (\$287,840 for rent, and \$204,756 for moving and communication expenses). However, the current schedule has occupancy occurring in February 2017 after completion of TI's, reducing rent payments to \$205,600 for five months. The need for this lease came up late in 2015-16 to facilitate the LAPD/IAD move to Fig Plaza as part of the 201 Figueroa Restack Project. As such, it was not funded in the current year budget.

6030 Shortfall: (\$410,356)

Flex Industrial Space

At its meeting on June 22, City Council authorized GSD to negotiate and execute a new lease relocating flex industrial space from 4660 S. Eastern Ave to 5759-5771 Rickenbacker Rd. to accommodate increased staffing levels. The preliminary estimate was \$492,487 for 6 months (\$214,800 for rent, and \$277,687 for moving and communication expenses). Occupancy is now anticipated in April 2017 reducing rent payments to \$207,400 for three months. The cost of the new lease will be partially offset by \$25,552 in savings from the termination of the existing lease. This new lease, authorized at the end of 2015-16, was not funded in the 2016-17 Budget.

6030 Shortfall: (\$359,535)

OUTSTANDING ISSUES:2817 Empire Ave

In August 2013, the MFC assigned office space on the 3rd floor of the Braude Building to LAPD. LAPD assigned Internal Affairs Group, Administrative Investigation (IAG-Admin, and Criminal Investigation (IAG-Criminal) groups to relocate their respective offices out from leased facilities. The plan to allocate the 3rd floor space for co-occupancy by both IAG groups was approved by the IAG Commanders and LAPD Facilities Management. IAG-Admin moved from its leased location in December 2015. However, GSD was subsequently informed that IAG-Criminal could not co-locate within the same office space because of potentially conflicting investigative activities conducted by either or both groups.

The IAG-Criminal lease at 2817 Empire expired as of January 2016 and will be on a month-to-month term until this issue is resolved. The cost of the lease is \$15,380 per month and has funding through the end of this Fiscal Year. Potential savings exist if IAG-Criminal can be relocated to City space before year end.

At its October 2016 meeting, the MFC requested that LAPD report back with alternative options for occupancy of the space. To date, GSD has not seen any such report.

120 S. San Pedro

Channel 35, ITA, was scheduled to vacate its lease and relocate to the 10th of City Hall in February 2017 resulting in \$82,301 in lease savings. As part of the lease termination, the City was required to remove a satellite dish installed on the rooftop of the building at an estimated cost of \$20,000 to be funded by savings. Moving costs totaling \$9,011 will also be funded by savings for a net savings amount of \$53,290.

Space preparation at City Hall is underway. However, the CAO has indicated the lease may need to be extended to allow additional time for the TI's to be completed. The savings (\$53,290) are available to extend payments for two months through April 2017.


This lease is special funded through ITA's Telecommunications Development Account (TDA). Therefore, any savings will be reverted at year-end and will not impact the leasing account surplus. If the lease extends beyond April 2017, additional TDA funds will be required to make payments from March 2017 forward.

FISCAL IMPACT

GSD is projecting a surplus of \$156,208. GSD will continue monitoring the Leasing Account and will provide an update in the Fourth Quarter Optimization Report.

RECOMMENDATION

That the Municipal Facilities Committee note and file this report.


Tony M. Royster
General Manager

Attachment

**JANUARY SPACE OPTIMIZATION REPORT
LEASING ACCOUNT UPDATE
FISCAL YEAR 2016-17**

Account Summary				
Approved 6030 Budget				\$14,216,676
Projected Lease Expense				\$14,060,468
Projected Surplus/Deficit				\$156,208

Detail				
LEASE ADDRESS	REASON	6030 BUDGET	REVISED EXPENSE	SURPLUS/ DEFICIT
3550 Wilshire Bl.*	Lease termination - LADBS move to Fig Plaza Sept 2016	\$631,331	\$201,806	\$429,525
1016 Mission Rd	Revised projected lease expense	\$1,141,991	\$892,991	\$249,000
304 S. Broadway **	January Bradbury lease termination	\$763,184	\$629,348	\$133,837
333 S. Spring	Reduced parking due to Bradbury termination	\$86,400	\$50,400	\$36,000
308 Hill	Reduced parking due to Bradbury termination	\$16,260	\$9,485	\$6,775
220 S. Spring	Reduced parking due to Bradbury termination	\$86,400	\$75,600	\$10,800
Various Leases	Net sum of fluctuating costs (CAM, Utilities, HVAC)	\$0	\$60,162	\$60,162
350 S. Figueroa Bl.***	LAPD Inspector General move from Fig Plaza to leased space (est. for 5 months & TI)	\$0	\$410,356	\$410,356
New Flex Industrial Space****	New lease to accommodate increased staffing (est. 3 months & TI)	\$0	\$359,535	\$359,535
Total Net Changes				\$156,208
Projected Lease Expense				\$14,060,468

* Includes \$26,887 of lease savings used for the IT Hub relocation and \$18,197 for decommissioning costs.

** Includes \$47,839 for an anticipated monthly rate increase that did not occur.

*** Rental payments reduced to 5 months.

**** Rental pmnts reduced to 3 months. Includes offset of \$25,552 in savings from term of existing lease.