

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ANTONIO R. VILLARAIGOSA
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

September 27, 2012

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

Approved on 11-15-2012 by
The Municipal Facilities Committee

Attention: Maria Espinosa, Legislative Assistant

**APPROVAL OF A NEW MARKET RENT LEASE AGREEMENT FOR
LAPD SOUTH TRAFFIC DIVISION AT 4125 S. CRENSHAW BOULEVARD,
LOS ANGELES, CA 90008**

The Department of General Services (GSD) requests approval to negotiate and execute a new lease agreement for approximately 21,413 square feet of improved office space within the Baldwin Hills Crenshaw Plaza located at 4125 S. Crenshaw Boulevard for the Los Angeles Police Department (LAPD), South Traffic Division. The City had been paying \$1 per year in lease costs. After considerable renovation to the complex the landlord is no longer able to provide the space at \$1 per year. The space is being offered to the City at a rate somewhat less than comparable retail or commercial use in the complex and area.

BACKGROUND

During the past twenty-three years, the LAPD South Traffic Division has enjoyed the use of approximately 21,413 square feet of office space located at the parking level of the Baldwin Hills Crenshaw Plaza, a regional interior shopping mall, at a rental rate of \$1 per year. The mall has been significantly upgraded, primarily for retail and commercial use. As a result of the recent investment in the mall, the landlord has offered a reasonable rent to the City that is below the retail/commercial market rent price for the area for upgraded regional mall space. Although LAPD South Traffic has



considered moving to a street front location, it has been difficult locating comparable space with adequate parking in the designated target area.

On August 8, 2012, the landlord issued a 60-day notice to terminate the current lease agreement, which has been on month-to-month holdover. The landlord has offered a new five-year lease agreement, with the understanding that the City may seek another site or consider long-term options for relocating the LAPD South Traffic Division.

TERMS AND CONDITIONS

The lease agreement contains the following terms and conditions:

LOCATION:	4125 South Crenshaw Boulevard
LANDLORD:	Capri Urban Baldwin, LLC
USE:	Office space
SQUARE FEET:	21,413 square feet
TERM:	Five (5) years with no option
RENTAL RATE:	\$1.17 per square foot per month (\$25,053 per month) or approximately \$300,639 per year
ESCALATIONS:	Annual 3% increases

FISCAL IMPACT


Because this was a \$1/year lease, there is no funding available in the GSD 6030 Leasing Account. The rent required for the period from October 1, 2012 through the end of the current fiscal year is \$225,477. GSD is therefore requesting an appropriation of funds at this time to cover the rent obligation for this fiscal year. The 2013-14 request for the 6030 Leasing Account will be adjusted to reflect this new lease obligation.

RECOMMENDATION

That the Los Angeles City Council:

- (1) Authorizes the Department of General Services to negotiate and execute a new lease for the continued use by the Los Angeles Police Department, South Traffic Division of office space at the Baldwin Hills Crenshaw Plaza located at 4125 S. Crenshaw Boulevard, Los Angeles, CA 90008, and

(2) Appropriates \$225,477 to the GSD 6030 Leasing Account to fund this lease obligation.



Tony M. Royster
General Manager

TMR:js

MUNICIPAL FACILITIES COMMITTEE

Thursday, November 15, 2012
Room 1500 City Hall East
10:00 a.m.

MEMBERS: Miguel Santana, City Administrative Officer, Chair
Gerry Miller, Chief Legislative Analyst
Chris Pearson, Office of the Mayor

SUPPLEMENTAL INFORMATION FOR LAPD SOUTH TRAFFIC DIVISION LEASE AT 4125 SOUTH CRENSHAW BOULEVARD

The pending agreement with Baldwin Hills Crenshaw Plaza for a new lease with the Los Angeles Police Department South Traffic Division is \$1.17 per square foot with a 3% escalation for years 2014 through 2017 of the proposed five-year term.

The negotiated \$1.17 per square foot price is the driving influence for value in this new lease deal. Office space prices have been on the rise in the immediate area and similar neighborhood / commercial communities. Currently prices range between \$1.40 to over \$2.00 per foot for office space.

Observing annual escalations or Consumer Price Index (CPI) increases applied to rent by landlords for most lease deals, getting the best price per square foot is the most important for value for the City. The lower than average price per foot produces a lower annual increase whatever the increase percentage may be. In this case the landlord demands up to 3% for the entire term, which is not unreasonable considering the current CPI at \$2.50 or standard market escalation prices, which can range between 2% and 6% per year for the lease term.

The attached exhibit demonstrates the monthly rent and increases and for years 2013 through 2017 as well as the comparable market rent at the lower end at (\$1.40 psf). It is likely the trend is for increased rents the next few years.

During the 5-year term of this lease agreement, it may be in the City's best interest to begin observing a future long-term location for LAPD South Traffic.

