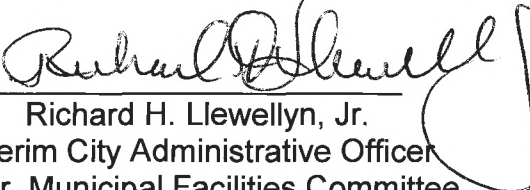


TRANSMITTAL

| | | |
|--|------------------|-----------------------|
| TO Council | DATE 02/22/18 | COUNCIL FILE NO. |
| FROM Municipal Facilities Committee | | COUNCIL DISTRICT 1 |

At its meeting held on February 22, 2018, 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 new lease agreement between the City and 104 North Avenue 56, LLC for space utilized by Council District 1 as a field office located at 5577 North Figueroa Street. The total annual leasing costs are \$105,264, which reflects an increase of \$53,628 above the current level that is subject to three percent annual escalations. The proposed lease will add approximately \$17,876 in unfunded costs to GSD's Leasing Account for the current fiscal year that would be addressed through the Financial Status Report.


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

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

February 22, 2018

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

Attention: John White, Legislative Assistant

**REQUEST FOR AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW LEASE
FOR COUNCIL DISTRICT 1 FIELD OFFICE AT 5577 NORTH FIGUEROA STREET**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease agreement for Council District (CD) 1 field office space with 104 North Avenue 56, LLC at 5577 North Figueroa Street, Los Angeles, California.

BACKGROUND

The Council office of the Honorable Gilbert Cedillo operates an approximate 2,064 square foot field office that has been under contract C-123655 since February 19, 2014. The lease terminated December 31, 2017 and is currently on month-to-month holdover.

The Councilmember would like to maintain this location. It is also is a community gathering place that is safe and within blocks of the Metro Gold Line and bus transit systems.

MARKET ANALYSIS

Retail space in the area is keeping pace with the residential real estate boom that Highland Park has experienced over the past five years. This area is considered an emerging business district with escalating pricing for retail leases. As leases expire in

the immediate area, landlords are increasing their price per square foot. However, as this data is not shared yet, the analysis here looks to other similar business districts for comparisons.

Further, the demand for this particular office space is high because it is a ground level corner office in a high traffic community. The space has also been improved to recent building codes unlike many retail spaces in the area. The City also paid tenant improvement costs of \$71,596 at execution of the lease in 2014.

Other available office space in the area is inadequate for a CD field office because it is set back within commercial malls and therefore difficult to reach or located above ground without elevators and not ADA accessible.

The current market conditions have influenced this new owner to increase the rental price to \$4.25 per square foot Triple Net (NNN) which requires the tenant to pay for expenses as well as base rent. Comparable retail data to support the rent prices is based on office space in emerging business districts through the Greater Downtown LA, Pasadena / Arcadia and Glendale city submarkets (see attached exhibit).

The range for retail space is \$2.85 per square foot in the Chinatown community up to \$4.00 per square foot in the Miracle Mile area. One of the submarket comparable properties that was recently leased at 2nd and Broadway near City Hall which has similar business trade characteristics to the current Council field office had an asking rent of \$4.00 per square foot. Another listed comparable property a few blocks from the subject site at 5015 N. Figueroa Street asks \$3.25 per square foot but it is a large older warehouse building that requires extensive improvements.

TERMS AND CONDITIONS

The lease agreement contains the following terms and conditions:

LOCATION: 5577 North Figueroa Street, Los Angeles, CA 90042

LANDLORD: 104 North Avenue 56, LLC

USE: Office Space

TERM: Four Years (lease ending in alignment with the change in the election cycles)

OPTION: One 4-year option (should Councilmember chose to maintain the space for the last term)

RATE: \$8,772 per month - \$4.25 per square foot

SQUARE FEET: 2,064 rentable square feet

ESCALATIONS: 3% annual increases

UTILITIES: City pays for janitorial and utilities currently at \$2,100 per month

PARKING: No Parking included

TENANT

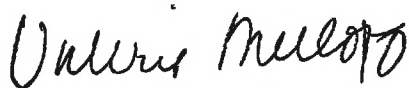
IMPROVEMENTS: Landlord will provide \$2,000 allowance for requested improvements to the front door and sash

FISCAL IMPACT

The City currently pays \$4,303 per month or \$51,636 annually including common area maintenance (CAM) and janitorial costs for the Council office space. The new proposed monthly rent would total \$8,772 per month or \$105,264 per year or up to \$107,364 per year based on current operating expenses. Expenses may increase slightly if the city pays for operating expenses directly.

RECOMMENDATION





That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a new lease agreement with 104 North Avenue 56, LLC for the continued use of office space at 5577 North Figueroa Street, Los Angeles, CA 90042.






Tony M. Royster
General Manager

Attachment

Sub-Market Comparables for 5577 N. Figueroa Street

| | Address Building Park/Name | SF Avail | Rent/SF/Mo Stories | RBA Land | Ceiling Height Drive Ins | Docks Levelators | Crane Sprinkler |
|--|--|-----------|---|----------------------|-----------------------------|---------------------|--------------------|
|  | 2000 E 1st St LADERA LLC Los Angeles, CA 90033 | 5,000 SF | \$1.75-\$2.25/mg 2 | 12,000 SF 0.19 AC | - - | - - | - - |
| | | | Parking: Ratio of 1.28/1,000 SF Expenses: 2017 Tax @ \$1.28/sf Utilities: - | | Power: - Rail Line: - | | |
| | Landlord Rep: Ladera LLC / Mark Nowfar (818) 943-4371 X126 -- 5,000 SF (800-5,000 SF) | | | | | | |
|  | 727-735 E 12th St Los Angeles, CA 90021 | 10,089 SF | \$2.50-\$6.73/mg 3 | 57,500 SF 0.36 AC | - - | - - | - - |
| | | | Parking: 60 Covered Spaces are available; Ratio of 1.04/1,000 SF Expenses: 2016 Tax @ \$0.43/sf Utilities: - | | Power: - Rail Line: - | | |
| | Landlord Rep: Robert Cho / Robert Cho (213) 215-8040 -- 10,089 SF (436-1,585 SF) | | | | | | |
|  | 770-780 S Arroyo Park Pasadena, CA 91105 | 5,000 SF | \$2.75/mg 1 | 15,504 SF 0.73 AC | - - | - - | - - |
| | | | Parking: 46 free Surface Spaces are available; Ratio of 2.96/1,000 SF Expenses: 2017 Tax @ \$0.85/sf Utilities: - | | Power: - Rail Line: - | | |
| | Landlord Rep: RS Mills / Ronald Mills (626) 797-1586 -- 5,000 SF (5,000 SF) | | | | | | |
|  | 931 N Broadway Los Angeles, CA 90012 | 5,000 SF | \$2.85-\$2.90/mg 2 | 24,922 SF 0.13 AC | - - | - - | - - |
| | | | Parking: Ratio of 0.48/1,000 SF Expenses: 2016 Tax @ \$0.38/sf Utilities: - | | Power: - Rail Line: - | | |
| | Landlord Rep: Kong Chow Benevolent Assn Of / Silke Louie (626) 222-5302 -- 5,000 SF (5,000 SF) | | | | | | |

Sub-Market Comparables for 5577 N. Figueroa Street

| | Address Building Park/Name | SF Avail | Rent/SF/Mo Stories | RBA Land | Ceiling Height Drive Ins | Docks Levelators | Crane Sprinkler |
|---|---|-----------|---|----------------------|-----------------------------|---------------------|--------------------|
|  | 1252-1276 E Colorado Blvd Anchor Commercial Center Pasadena, CA 91106 | 3,179 SF | \$2.40/mg 2 | 41,615 SF 0.81 AC | - - | - - | - - |
| | | | Parking: 52 free Surface Spaces are available; Ratio of 2.50/1,000 SF | | Power: - Rail Line: - | | |
| | | | Expenses: 2011 Tax @ \$0.36/sf | | | | |
| | | | Utilities: - | | | | |
| | | | Landlord Rep: Redstone Commercial Real Estate / Dan Alle (626) 795-2256 X12 -- 3,179 SF (3,179 SF) | | | | |
|  | 5015-5025 N Figueroa St Los Angeles, CA 90042 | 18,592 SF | \$3.25/mg 1 | 18,627 SF 0.57 AC | - - | - - | - - |
| | | | Parking: 28 free Surface Spaces are available; Ratio of 0.24/1,000 SF | | Power: - Rail Line: - | | |
| | | | Expenses: 2016 Tax @ \$0.84/sf | | | | |
| | | | Utilities: - | | | | |
| | | | Landlord Rep: Industry Partners / Richard Maloof (310) 526-0658 / Jim Jacobsen (310) 526-0650 -- 18,592 SF (681-5,723 SF) | | | | |
|  | 145 N La Brea Ave Los Angeles, CA 90036 | 3,811 SF | \$4.00/mg 1 | 19,287 SF 0.79 AC | - - | - - | - - |
| | | | Parking: 8 Surface Spaces are available; Ratio of 0.41/1,000 SF | | Power: - Rail Line: - | | |
| | | | Expenses: 2011 Tax @ \$3.92/sf | | | | |
| | | | Utilities: - | | | | |
| | | | Landlord Rep: Conroy Commercial / Lauren Aboulafia (310) 275-3274 -- 3,811 SF (3,811 SF) | | | | |