

## TRANSMITTAL

TO Council	DATE  10-03-17	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting held on September 28, 2017, the Municipal Facilities Committee (MFC) adopted the recommendations of the attached Office of the City Administrative Officer report, as amended, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize a space assignment for the new Department of Cannabis Regulation (DCR) and co-located positions to occupy Suite 1220 that is located on the 12<sup>th</sup> floor of the 221 N. Figueroa Plaza Tower. The report includes a revised recommendation adopted by the MFC, which instructs the General Services Department to report within 30-60 days on final cost estimates and construction timelines for all active space modifications at the facility, including modifications for the space recommended for assignment to DCR. There is no additional impact on the General Fund as 2017-18 CIEP funds will be used as a cash flow source for the DCA space modifications, to be repaid once sufficient department revenues are available.



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

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

Date: September 28, 2017

To: The Municipal Facilities Committee

From: CAO Staff

Subject: **ASSIGNMENT FOR THE NEW DEPARTMENT OF CANNABIS REGULATION AND CO-LOCATED POSITIONS TO OCCUPY SPACE IN THE 221 N. FIGUEROA PLAZA TOWER (12<sup>TH</sup> FLOOR)**

## **SUMMARY**

This report provides recommendations to assign office space to the new Department of Cannabis Regulation, along with other co-located positions to include the Office of Finance, and to provide implementing authorities for the necessary space modifications to address security and other operational needs.

## **RECOMMENDATIONS**

That the Municipal Facilities Committee:

1. Approve the assignment for the new Department of Cannabis Regulation (DCR) to occupy Suite No. 1220, along with other co-located positions to include four interim position authorities currently pending authorization for the Office of Finance (C.F. 14-0366-S14), that is located on the 12<sup>th</sup> floor of the 221 N. Figueroa Plaza Tower;
2. Instruct the Department of General Services Department to report within 30-60 days on final cost estimates and construction timeline for all active space modifications at Figueroa Plaza, including modifications for the space recommended for assignment to DCR, and,
3. Approve and authorize staff to transmit the following recommendations to Council, for final consideration:
  - A. In accordance with Charter Section 371(e), find that the proposed third amendment to City contract No. C-126951 with CBRE, the City's current property manager for Figueroa Plaza, may be awarded on a sole source basis, since CBRE has special qualifications to expedite completion of the desired scope of work due to its experience managing and restoring the property, and that these services are also of a temporary nature such that competitive bidding would not be practicable or advantageous;

- B. Authorize the Department of General Services to negotiate and execute a third amendment to Contract No. C-126951 with CBRE, using sole source authority to include the oversight of subcontractors providing design, construction, furniture, architectural, engineering, moving, and other services as necessary, for all work associated with tenant improvements to the 12<sup>th</sup> floor of the 221 Tower, and increase the contract ceiling by \$500,000, from the current funding limit of \$20.5 million, to a revised limit of \$21 million, subject to the City Attorney's approval, as to form;
- C. Authorize the Controller to encumber total funding of up to \$500,000 for the third amendment to C-126951, using \$500,000 in CIEP funds appropriated within Fund No. 298/40, Account No. 40P20L – Space Optimization on Tenant Work.
- D. Authorize the City Administrative Officer to make technical adjustments as necessary in identifying and transferring the required funding for the third contract amendment.

**FISCAL IMPACT**

There is no additional impact on the General Fund. The current estimated costs of \$500,000 for all modifications and improvements associated with the recommended space assignment will be funded with 2017-18 CIEP monies budgeted for space optimization work.

## **DISCUSSION:**

### Background:

On March 7, 2017, voters approved Proposition M, which affirmed the Council and Mayor's authority to regulate all aspects of commercial cannabis activities in the City and established gross receipt tax rates for commercial cannabis activity. The 2017-18 Adopted Budget established the Department of Cannabis Regulation (DCR) to develop rules and regulations to implement local and State law pertaining to cannabis use, administer the application, licensing, renewal and revocation process for cannabis businesses, and coordinate with other City departments to ensure timely completion of inspections, audits and other functions related to regulating cannabis businesses within the City.

On August 16, 2017, Council confirmed the appointment of Ms. Catherine A. Packer as the new Executive Director of the DCR (C.F. 14-0366-S8). Through the 2017-18 Adopted Budget, the DCR is authorized for a total of five position authorities. Implementation of cannabis regulations within the City will require the coordinated efforts of multiple departments, including Building and Safety, the Office of City Attorney (City Attorney), the Office of City Finance (Finance), the Fire Department, the Information Technology Agency and the Police Department.

At this time, there are nine additional interim authorities under Council consideration for positions within the Office of Finance (4), the DCR (1) and the Office of City Attorney (4). Additional position authorities beyond the levels currently proposed for the remainder of the 2017-18 fiscal year will be considered through the City Budget process.

### Space Assignment & Co-location of Related Positions:

The Municipal Facilities Committee staff worked to identify suitable space in City-owned facilities located within the Civic Center. The only unoccupied space that can be modified within a short timeframe to meet the DCR operational needs is currently assigned to the Build LA program, located on the 12<sup>th</sup> floor of the 221 N. Figueroa Plaza Tower. Due to delays in program implementation, a reassignment of the space is recommended to address the DCR's immediate space needs.

The recommended space assignment can accommodate the current positions authorized for DCR along with co-located positions pending approval for Finance. The suite consists of three private offices, 37 additional workstations, a reception area and a divisible conference room. This space is sufficient to accommodate growth anticipated for the staffing levels of both DCR and Finance, while also providing space to co-locate related positions authorized for other departments on an interim or permanent basis.

Currently, this space is being utilized by DBS to temporarily house a personnel unit consisting of 12 employees until mid-November when staff would move into permanent space currently under construction. A space-sharing plan has been approved in concept by both parties that would enable DBS to remain in place while DCR staff occupies a portion of the work space, and with the necessary alterations to proceed following the completion of design and construction documents.

### Preliminary Cost Estimates, Proposed Funding and Preliminary Timeline

The Municipal Facilities Committee (MFC) staff is working to complete a security analysis of the space in order to finalize the proposed scope of work that would tentatively include:

- Conversion of an existing conference room into a secured reception area, with protective glass and other security features;
- Division of the suite to include a fire-rated corridor in order to maintain confidentiality for the Finance audit unit, and development of three mini-conference rooms to accommodate multiple, daily meetings with business owners under audit; and,
- Other security features or space modifications needed to accommodate operational needs.

The cost of the tentative scope is estimated at \$500,000 as a rough order of magnitude based on recent work completed onsite. We recommend that 2017-18 CIEP monies budgeted for space optimization work be used as a cash flow source to be repaid once sufficient department revenues are available. Staff will work to expedite all phases of the project. However, custom orders for the front desk security glass and potentially other security features could take up to two months for delivery from time of purchase.

At this time, GSD is working to finalize the timeline and construction costs for various space assignments, space consolidations and reconfiguration of existing workspace within the two Towers at Figueroa Plaza, as approved by the Municipal Facilities Committee at its meeting held on May 25, 2017. Our Office recommends that GSD provide a follow-up report within 30-60 days to report on the final cost and timeline for all pending space modifications, including this space assignment recommended for DCR and co-located positions,

### Implementing Authorities

Authority to proceed with a third amendment to the current CBRE Contract No. C-126951 that was awarded on a sole source basis, is needed in order to amend the current scope to include the modifications for the DCR space assignment and to increase the funding authority, accordingly. The current sole source contract with CBRE was authorized by Council action taken on December 1, 2015, for the build-out of six floors within the 221 Tower and a contract limit of \$16 million (C.F. 14-1728-S2). Council subsequently approved a first amendment to the contract, increasing the funding limit by \$500,000, for a revised contract limit of \$16.5 million to include tenant improvements for two ground floor suites and the remodel and reconfiguration of space to provide public restrooms. A second contract amendment was approved by Council on June 27, 2017, increasing the funding limit by an additional \$4 million, for a total revised funding authority of \$20.5 million (C.F. 17-0633).

Since the third contract amendment is also recommended on sole source authority, a Council finding, in accordance with the exceptions defined in Charter Section 371(e), is needed that the proposed service is of a temporary and occasional basis for which the contracting authority finds that competitive bidding is not practical or advantageous, based on the following considerations:

- CBRE, as the City's property manager at Figueroa Plaza, has acted responsibly and timely to complete the restoration and re-occupancy projects on site and is best positioned to accomplish the proposed scope in a timely manner, as the City's property manager; and,
- Following the completion of the proposed scope of work, full occupancy will be achieved for the two Towers at Figueroa Plaza, and there are no additional needs for interior modifications of office space known at this time that would warrant the time delay and administrative costs of administering a new procurement process.

*RHL:BCH:05180050*

Attachment