

0150-11234-0000

**TRANSMITTAL**

TO Council	DATE 10-02-18	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting held on September 27, 2018, the Municipal Facilities Committee (MFC) 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: 1) Negotiate and execute a lease with B.F.P.Z., LLC. and A.F.M.K., Inc. (names as confirmed and corrected), for a privately owned facility at 1400-1426 Paloma Street to be utilized as an interim homeless shelter subject to Council adoption of a pending Motion for this lease; and, 2) Authorize the Controller to transfer \$1,295,000 from the General City Purposes Fund No. 100/56, Account: 000931 to GSD Fund 100/40, Leasing Account: 006030, for the purpose of funding the three-year lease and security deposit for this facility.

There is no additional General Fund impact. Funding is available for this purpose in the General City Purposes Fund No. 100/56, Account 000931, Crisis and Bridge Housing Fund.



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

RHL:KH:05190039c

CITY OF LOS ANGELES  
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September 27, 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 AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW  
LEASE AT 1400-1426 PALOMA STREET FOR USE AS A HOMELESS SHELTER**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with B.F.B.Z. LLC and A.F.M.I. Inc. for a privately owned facility at 1400-1426 Paloma Street, Los Angeles, California 90021 to be utilized as an interim homeless shelter. The Council motion for this lease will be introduced shortly. The Council motion will also instruct the City Homeless Coordinator to coordinate with the County of Los Angeles Department of Health Services (DHS) to identify funds for interim housing operations at this site, including, but not limited to County Measure H revenue.

**BACKGROUND:**

DHS requested the City's assistance in leasing a privately owned 35,835 warehouse to be used as an interim homeless shelter holding 119 beds. The County will fund the tenant improvements for the project.

In addition to providing funding to support lease costs, City participation in the lease for this project will allow for more than 30 beds by right pursuant to the City Homeless Declaration, adopted by the City Council on April 17, 2018 (C.F. 15-1138-S30). DHS intends to seek a zoning variance to allow for the site to continue operating past the term of the City lease.

In the meantime, the City will hold and fund the lease for three years using Measure HHH Crisis and Bridge Housing funds. If the zoning variance is approved, the lease may be reassigned to DHS after three years under the assignment clause.

### SHELTER SERVICES

The shelter will be operated by a non-profit organization, Home At Last CDC. A subsequent report on the terms of the sublease between this non-profit and the City will be submitted to the Municipal Facilities Committee and Council.

The facility will operate 24/7 and will be staffed with experienced security personnel that have expertise and specific training with homeless populations. Program participants will remain at this shelter until they identify permanent housing or choose to exit the program. Program terms average between four to six months. The supportive services will be funded by DHS for three years with an option for service contract renewal at an estimated annual cost of \$4M. Services will include mental health, substance abuse, case management and health oversight.

Funding for the facility operation will be administered by Brilliant Corners through a contract with DHS. Brilliant Corners is a 501(c) 3 nonprofit supportive housing agency servicing people with developmental disabilities and individuals transitioning from homelessness. They will channel funding from DHS to Home At Last CDC.

### MAINTENANCE, INSURANCE AND TAXES

The property owner's responsibility includes maintenance of the major building systems including the heating, ventilation, air conditioning, water heater, fire alarm and sprinkler system. Maintenance of the building will include exterior walls, structural condition of interior walls, exterior roof, plumbing and electrical systems. The owner is also responsible for the property's related taxes and insurance payments.

Home at Last CDC will be responsible for the custodial, maintenance of lighting fixtures, smoke detectors, fire extinguishers and exterior maintenance of the building lighting and basic maintenance of plumbing such as clogged drains. They will also pay for utilities and insurance for contents and liability.

The City will have no maintenance responsibilities under this lease or the sub-lease.

### TENANT IMPROVEMENTS:

The estimated cost of the proposed TI's is approximately \$595,460, which will be primarily financed by the DHS. The owner will also contribute \$30,000. The commercial renovation includes demolition, carpentry, steel framing, flooring, and interior paint. The owner will complete modifications as outlined in a final scope of design and improvements agreed upon by the owner, the City and sub-lessee prior to lease execution.

**MARKET ANALYSIS:**

A recent market analysis showed the price per square foot (psf) for a similar location and type of warehouse space ranges from \$0.85 to \$2.00. This lease has a psf of approximately \$0.98. This is a reasonable rental rate and well within lower range of the Fair Market Rental Rate (FMRR).

The total rentable square footage is approximately 35,835 x \$0.98 = \$35,118.30 monthly, rounded to \$35,000 monthly. The lease payments for three years, plus the security deposit of \$35,000 is approximately \$1.295M.

**TERMS AND CONDITIONS:**

The proposed lease will include the following:

LOCATION:	1400-1426 Paloma Street, Los Angeles, CA 90021
LANDLORD:	B.F.B.Z., LLC and A F M K Inc.
USE:	Homeless Housing
SQUARE FEET:	Approximately 35,835 sq. ft.
TERM:	Three years (36 months)
RENTAL RATE:	\$35,000 per month, \$420,000 annually
ESCALATIONS:	None for first three years, 5% at option
OPTIONS:	One 7- year option
ADDITIONAL RENT:	Operating expense as passed through to sub-lessee
SECURITY DEPOSIT:	\$35,000 (10 days after executed lease)
UTILITIES:	Sub-lessee pays for utilities
PARKING:	Provided to City at no cost
SUB-LET CLAUSE:	Permission to sub-let
UTILITIES:	Paid by the sub-lessee
TENANT IMPROVEMENT:	Demolition, carpentry, steel framing, flooring, and interior paint. Landlord will complete modifications as outlined in a scope of work agreed to in writing by the landlord, the City and sub-lessee. Landlord will contribute \$30K towards modifications.

CUSTODIAL: Provided by the sub-lessee

PROPERTY TAXES: Landlord

INSURANCE: Landlord

MAINTENANCE: Landlord to maintain major building systems including heating, ventilation, air conditioning, water heaters, fire alarm and sprinkler system. Includes building exterior walls, structural condition of interior walls, exterior roof, plumbing and electrical systems.

COMMUNICATION AND FURNITURE:


DHS will provide separate funding to accommodate the communication, data, staff phones, all the furniture, beds, office equipment, desks, chairs, and all the associated start up furnishing required to equip the facility.

FISCAL IMPACT:

The annual lease expenditure is approximately \$420,000. The Crisis and Bridge Housing Fund in the General City Purposes Budget will finance this lease.

RECOMMENDATION:

- 1) That the Los Angeles City Council authorizes the Department of General Services to negotiate and execute a lease with B.F.B.Z., LLC and A F M K Inc., under the terms and conditions outlined in this report subject to Council adoption of the motion for this lease; and
- 2) Authorize the Controller to transfer \$1,295,000 from the General City Purposes Fund No. 100/56, Account.: 000931 to GSD Fund 100/40, Leasing Account.: 006030 for the purpose of funding the three year lease and security deposit at 1400-1426 Paloma Street, Los Angeles, California subject to Council adoption of the motion for this lease.



Tony M. Royster  
General Manager

Attachment

### HHH - Project 1426 Paloma Street Market Analysis

Address	City	Property Type	Property Size	Space Avail	Rent/SF/Mo
1100 E 6th St	Los Angeles	Class C Industrial/Warehouse	22,828 SF	22,828 SF	\$0.99
1130 E 5th St	Los Angeles	Class C Industrial/Warehouse	11,715 SF	11,715 SF	\$0.99
701 E 7th St	Los Angeles	Class C Industrial/Manufacturing	34,075 SF	34,075 SF	\$2.00
2034-2040 E 27th St	Vernon	Class C Industrial/Warehouse	128,451 SF	54,290 SF	\$0.85
414 S Crocker St	Los Angeles	Class B Industrial/Warehouse	41,799 SF	35,799 SF	\$0.88
741 Maple Ave	Los Angeles	Class C Industrial/Warehouse	31,300 SF	31,300 SF	\$1.40
1920 Violet St	Los Angeles	Class C Industrial/Warehouse	61,403 SF	61,403 SF	\$1.25
721-725 E Washington Blvd	Los Angeles	Class C Industrial/Warehouse	45,000 SF	45,000 SF	\$1.45
2310 E Washington Blvd	Los Angeles	Class C Industrial	35,209 SF	35,208 SF	\$0.95