

When I was nominated to assume the responsibility of serving as a DWP commissioner, it was expressed to me that one of the main reasons I was selected to serve in this capacity was due to my commercial real estate expertise and how I could apply over 17 years of my professional experience in that realm to best serve the Department's best interests. As it relates to these opening remarks, it was requested of me to outline a strategy and proper recommendations to secure a sound measurement for this agendized item after it had been deferred earlier this year. Immediately following this request, I provided commonly-practiced recommendations when contemplating a headquarters retrofit and transitional staging of this caliber, which suggestions, however, were ultimately dismissed.

I feel compelled to at least voice my main concerns and objections as it relates to the following:

1. A professional, well-versed commercial real estate brokerage firm was not retained to leverage and account for the cost-effectiveness of this transaction. There is no procurement history relating to the appraiser that was hired whose report fails to provide accurate COMPs. Not only are the building COMPs provided in the report those of much more prestigious and desirable office buildings, but the appraiser's analysis fails to address the Tenant Improvement packages provided by landlords in a typical lease transaction, which off-set a tenant's investment.
2. Under this agreement, our Department not only concedes to paying for Tenant Improvements, but upon mutual execution of the lease, it is stated that our Lease Commencement is triggered and we must begin paying rent. Normally, a tenant does not begin paying rent until construction has been completed provided a schedule that has been mutually agreed to by the landlord and tenant. To date, no final space drawings have been contemplated, nor permits drawn, nor construction completed. So, we will be paying for space that the Department will not occupy for many months.
3. Typically, construction costs are put out to bid to realize the most beneficial financial savings wherein this is not the case under this agreement. Furthermore, although the Wilshire Grand Tower comprised of 1.5M square feet within 73 floors will have been built and completed in four years, this agendized item is requesting a ten-year lease on four floors to retrofit our 15-floor headquarters. This pending lease also contains language that foreshadows increases in Tenant Improvement costs, and this item fails to touch upon the costs that will be required to retrofit DWP's headquarters and how that process will be managed.

In closing, I recognize the importance of the request at hand. However, the strategy and endeavor could and should have been better addressed and implemented.

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Commissioner of LADWP

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