DWP Fig Plaza Deal: DWP Board Caves, Mayor Goes Back to Basics, Ratepayers Screwed … Again

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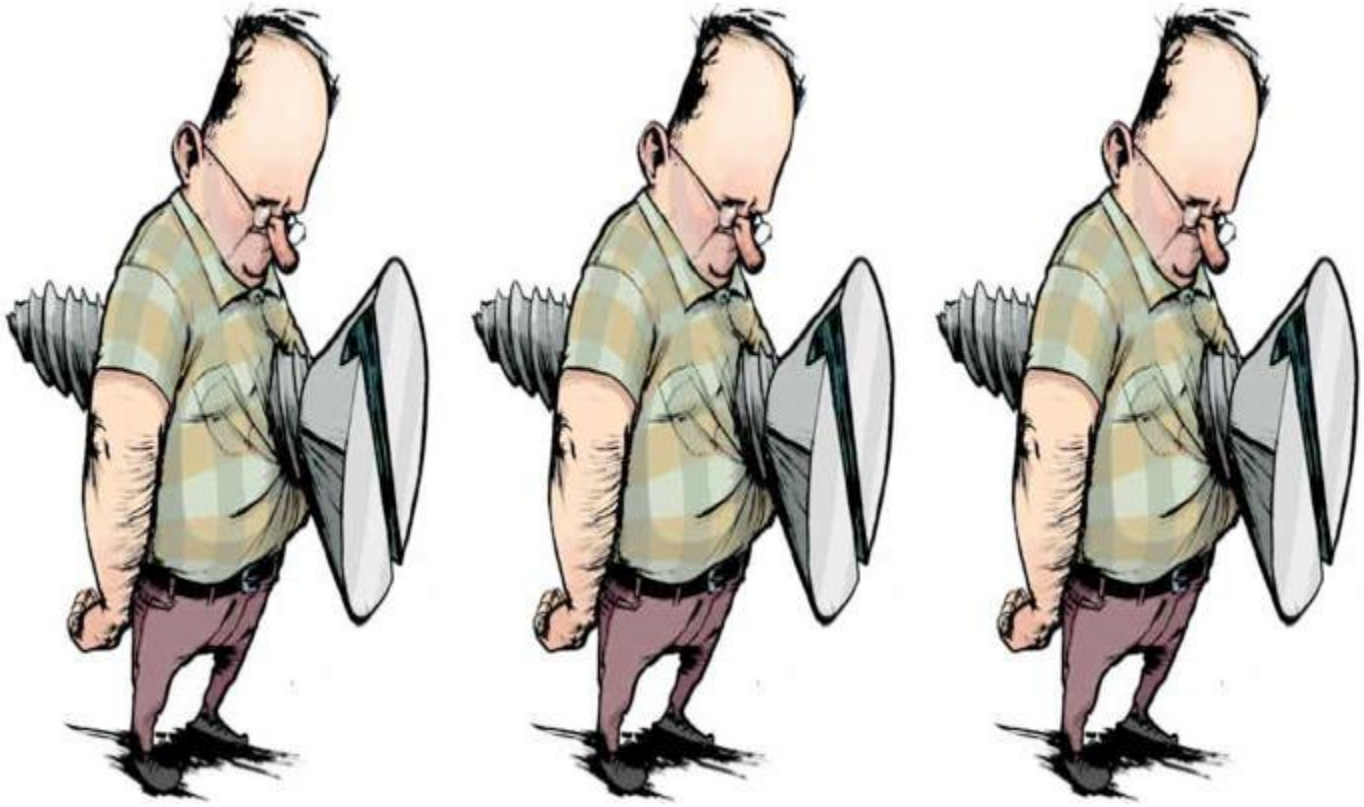

LA WATCHDOG--On Tuesday, the Board of Water and Power Commissioners voted 4 to 1 to approve an above market, 10 year, $41 million lease of four vacant floors of subpar office space at Figueroa Plaza, a 615,000 square foot, City owned office complex located north of the downtown Central Business District.

But this related party lease that was jammed down the throats of the management of our Department of Water and Power by Mayor Eric Garcetti and his budget team is costing Ratepayers at least $20 million more than if the deal were an arm's length transaction between two unrelated parties.

The Department's management makes valid arguments that it needs the extra space to house the additional employees required to update its water and power infrastructure; to meet numerous unfunded environmental mandates; to modernize its IT, financial management, and enterprise resource planning software; and to

facilitate the succession planning and the transfer of institutional knowledge as a third of its work force is eligible to retire over the next five years.

DWP management also argued that the proximity of Figueroa Plaza to DWP headquarters will result in greater efficiencies and save millions of dollars by cutting down on commuting time associated with any other location.

The Department also acknowledged that has not developed a Space Utilization Plan, even though it is standard operating procedure for any enterprise with over 9,000 employees and $5 billion in revenue.

DWP does not have a well-organized personnel plan as the 1,000 new employees and the estimated $146 million fully loaded payroll have not been factored into the rate plan that was recently approved by the Board of Commissioners, the City Council, and the Mayor.

But all this does not justify a lease which requires the Department to pay double the going market.

Figueroa Plaza has a lousy reputation in the real estate community and is considered a poorly located Class B building with substandard amenities that has not been properly maintained since 2007 when the City purchased the complex in 2007 for $219 million.

Listening to Christina Noonan, an experienced real estate professional and the only commissioner who put the interests of the Ratepayers first and refused to kiss the Mayor's ring despite considerable pressure from his deputy dogs, it is very easy to understand why this $41 million lease is not in the best interests of DWP and its Ratepayers.

If you adjust the rent to reflect market rents for an out of the way, poorly maintained Class B building; eliminate the $9.4 million of tenant improvements as they are the responsibility of the landlord; limit the lease to 5 to 8 years; lease only three floors (this still allows for over 160 square feet per employee); treat parking as amenity; and begin payments only when the space is ready for occupancy, it is apparent that the City is overcharging DWP and the Ratepayers by at least $20 million, but more likely in the range of $25 to $30 million.

Noonan also cautioned her four fellow Commissioners and DWP management that this lease is the first chapter in a very expensive journey as the retrofitting of DWP's 50 year old, 1.6 million square foot headquarters will be a very expensive proposition involving hundreds of millions of dollars. What she did not mention is that IBEW Union Bo$$ d'Arcy will assert jurisdiction over the retrofit and demand

overtime wages, resulting in a doubling of the cost and the timeframe relative to a private contractor. This may cost Ratepayers an additional $150 to $200 million.

From the Mayor's perspective, this one sided lease will result in an extra $12 million in the first year, consisting of over $7 million in cash from the tenant improvements and lease payments and a "savings" of $5 million that DWP will pay to update two of its leased floors. This haul will help the City close next year's budget deficit of $85 million.

Of course, this $12 million is peanuts compared to the $1 billion that Ratepayers are tagged for each year by City Hall, ranging from the City Utility Tax, the 8% Transfer Tax, the IBEW Labor Premium, and City Hall's many pet projects.

While the Ratepayers have very little leverage, especially after Commissioners Mel Levine, Bill Funderburk, Jill Banks Barad, and Michael Fleming sold us out to stay in the good graces of Mayor Garcetti, we may still be rescued by the Herb Wesson led City Council that has to approve this rip off lease.

Alternatively, we can send Garcetti a message by voting NO on his favorite ballot initiatives, Measure HHH, the $1.2 billion bond measure to fund permanent supportive housing for the homeless, and Measure M, the permanent half cent increase in our sales tax to support Metro's inefficient bureaucracy.

But in any case, we now know who the DWP Board speaks for and what Mayor Garcetti means when he says Back to Basics.

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