

0220-05151-0063

**TRANSMITTAL**

TO Council	DATE  11-28-18	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 1

At its meeting held on November 15, 2018, the Municipal Facilities Committee (MFC) adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration, along with following amendments:

To increase the funding amount in the report Recommendations No.1 and No. 2 by \$6,640, from the current amount of \$745,844 to a revised total of \$752,484.

This increase is needed to fund the property and liability insurance for years two and three at an annual cost of \$3,320, and a total of \$6,640.

Adoption of the amended report recommendations would authorize GSD to negotiate and execute a new lease agreement with Los Angeles Mission for a homeless bridge housing operation at property located at 1920 West 3<sup>rd</sup> Street. The lease will have a term of three (3) years with a seven (7) year option. The rental rate is approximately \$11,539 per month (\$1.84 per sq. ft.) with a 3% escalation each year.

Funding for this lease in its entirety (\$752,484) is provided by Council District 1 share of the Crisis and Bridge Housing Fund in the General City Purpose Fund. As such, there is no additional impact on the General Fund.



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

RHL:MB:RA:16190009

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

November 15, 2018

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

Attention: Leyla Campos, Legislative Assistant

**REQUEST AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW  
LEASE AT 1920 W. 3<sup>RD</sup> STREET FOR USE AS A BRIDGE HOUSING FACILITY**

The Department of General Services (GSD), at the direction of a Council District 1 (CD 1) motion (C.F. 18-0941) submits to Council a report to negotiate and execute a new lease with the Los Angeles Mission (Landlord) at 1920 W. 3<sup>rd</sup> Street, Los Angeles, California 90057 for use as a bridge housing facility for women and families.

**BACKGROUND**

On October 3, 2018, Councilmember Gilbert Cedillo of CD 1 introduced a motion (C.F. 18-0941) requesting that GSD submit to Council a report relative to the following actions:

- a. Negotiate a three year lease agreement with the Los Angeles Mission for the property located at 1920 W. Third Street for bridge housing, with the option to review at the discretion of the City Council;
- b. Negotiate a three year sub-lease agreement with People Assisting the Homeless (PATH) to operate the bridge housing facility, with the option to renew at the discretion of the City Council; and
- c. With the assistance of the City Administrative Officer, identify resources to support leasing, furniture, fixtures and equipment costs to establish a bridge housing facility on this site.

CD 1 requested a waiver out of Homelessness and Poverty Committee for the motion approved in Council on October 30, 2018.



The facility was utilized as a shelter by a non-profit until December 2017 and is now vacant. The 10,271 square foot property consists of two floors, 6,271 square feet of living space and a 4,000 square foot basement. The lease agreement is calculated on the living space only. The facility will accommodate approximately 28 women on the main floor and five families on the second floor. It will also include storage for residents, three bathrooms/showers, laundry facilities, supportive and community engagement services and security.

The Los Angeles Mission, a non-profit, holds a Federal Home Loan Bank grant for the property requiring them to comply with terms and conditions for its use as a residential transitional housing facility with no less than 25 beds at all times. As the facility is vacant, the landlord requests an expedited lease. They intend to provide upgrades to the facility prior to execution of the lease.

### FUNDING

The City Council and the Mayor declared a shelter crisis in the City of Los Angeles as of April 2018. The FY18-19 Adopted Budget established the Crisis and Bridge Housing Fund (CBHF). The CBHF will allocate approximately \$20M toward temporary crisis and bridge housing facilities, with a goal of adding 50 to 100 new beds per Council District.

After an extensive search, this facility has been identified by the City as the optimal site within CD 1. CBHF will cover the cost of the lease, which will be approximately \$138,468 for the first year.

### BUILDING RENOVATION

The landlord is currently upgrading their facility with new flooring, painting, plumbing, electrical, carpentry and bathroom upgrades. The lease contains a provision to amortize the estimated \$303,000 cost of this renovation over the lease term. The landlord requests a first year payment of \$101,000 to be paid at or as soon after lease execution to help cover cash outlays for the building renovation paid by the landlord in advance of the lease commencement.

### SUB-LEASE OPERATOR

PATH, a 501(c)(3) non-profit, will operate the facility under a sub-lease with the City. They operate 25 locations throughout California providing case management, medical and mental healthcare, benefits advocacy, employment training, and other services to homeless individuals. Since 2013, PATH has connected more than 7,500 people to permanent housing. GSD will submit a report to the Municipal Facilities Committee for review and approval of this sub-lease terms and conditions at the November 2018 meeting.

### MAINTENANCE

As the on-site operator, PATH will provide basic and routine maintenance and repairs within the facility. This includes maintaining and repairing floors, interior walls and ceilings.

The landlord will maintain and repair the foundation, structure, roof, HVAC equipment, plumbing, sewer, electrical, fire sprinklers and boilers.

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

**MARKET ANALYSIS**

A recent market analysis reflects the price per square foot (psf) for a similar location and type of warehouse space ranges from \$2.75 to \$5.00.

The psf of this lease is \$1.59. This is a reasonable rental rate and well below the lower range of the Fair Market Rental Rate (FMRR). The total rentable square footage is approximately 6,271 square feet x \$1.59 = \$9,970.89 rounded to \$9,971 with an annual base rent of \$119,652 for the first year. There will be an added maintenance fee of \$.25 x 6,271 square feet = \$1,567.75 monthly in added rent for the landlord to maintain all the major building systems. The total monthly amount for rent including the base rent and maintenance fee equates to \$11,538.75 rounded to \$11,539 and reflects a \$1.84 psf (\$1.59 + \$.25= \$1.84).

With a 3% escalation each year, the rate structure over the next three years is as follows:

<b>Lease Year</b>	<b>Monthly Rent</b>	<b>Annual Rent</b>
One	\$11,539	\$138,468.00
Two	\$11,885.17	\$142,622.04
Three	\$12,241.25	<u>\$146,895.00</u>
		<b>Sub -Total \$427,985.04</b>
Security Deposit:		<b>\$ 11,539.00</b>

This equates to \$439,524.04 in base rent, maintenance fee and security deposit costs for the next three years.

The proposed lease also reimburses the landlord approximately \$303,000 over the three year term with three payments of \$101,000 per year for the renovations currently underway. This first installment will be paid directly after the signing of this lease. Along with the security deposit and insurance this equates to \$745,844 over the three year term.

**PROPERTY TAXES AND INSURANCE**

The landlord cannot grant Prop 13 protection and requests that the City be responsible for all real estate taxes. The landlord is currently a tax exempt organization receiving a

welfare exemption with respect to real estate taxes. As the City is also tax exempt, City will determine whether possessory property tax will apply

The landlord indicates the annual insurances costs are \$1,838 for property insurance and \$1,482 for liability insurance. They intend to invoice the City each spring after their policy renews so this cost will be a pass-through to the City.

#### TERMS AND CONDITIONS

The proposed lease will include the following:

LOCATION:	1920 W. 3 <sup>rd</sup> Street, Los Angeles, CA 90057
LANDLORD:	Los Angeles Mission
USE:	Restricted to residential transitional housing for homeless/low income consistent with landlord's Federal Home Loan Bank (FHLB) grant
SQUARE FEET:	Approximately 6,271 sq. ft.
TERM:	Three years (36 months)
RENTAL RATE:	\$11,539 per month, \$138,468 1 <sup>st</sup> year
ESCALATIONS:	3%
OPTIONS:	One 7-year option, renegotiated at market rate
ADDITIONAL RENT:	Property taxes, insurance passed through to City
INITIAL PAYMENT:	\$101,000 at or soon after lease execution
SECURITY DEPOSIT:	\$11,539
UTILITIES:	Sub-lessee pays for utilities
PARKING:	Provided to City at no cost
SUB-LET CLAUSE:	Permission to sub-let subject to landlord's reasonable approval
UTILITIES:	Paid by the sub-lessee
BUILDING RENOVATION:	New flooring, paint, plumbing, electrical, carpentry and bathroom upgrades

CUSTODIAL:	Provided by the sub-lessee
PROPERTY TAXES:	City to determine if possessory property tax applies. Landlord will not provide Prop 13 protection if property is sold during the lease term.
INSURANCE:	\$1,838 for property and \$1,482 for liability passed through to the City.
MAINTENANCE:	Landlord maintains foundation, structure, roof, HVAC, plumbing, sewer, electrical, fire sprinklers and boilers.
TERMINATION RIGHTS:	Landlord right to terminate only if the tenant fails to operate the facility to comply with terms and conditions of FHLB grant

COMMUNICATION EXPENSE, FURNITURE AND MOVING

PATH will provide separate funding for communication, data, staff phones, all the furniture, beds, office equipment, desks, chairs, and all the associated start-up furnishings required to equip the facility.

FISCAL IMPACT

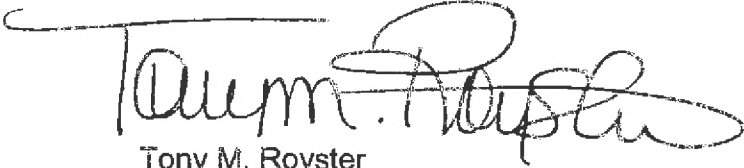
The annual cost of the lease/renovation/deposit/insurance is approximately \$265,866. The Crisis and Bridge Housing Fund in the General City Purposes Budget will finance the lease base rent, deposit, renovation, property taxes and insurance.

RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a lease with the Los Angeles Mission, under the terms and Conditions as substantially outlined in this report; and

- 1) Approve funds in the amount of \$745,844 to lease the property at 1920 W. 3<sup>rd</sup> Street for thirty-six months for the purpose of establishing a bridge housing facility. Funds to be appropriated from the Crisis and Bridge Housing Fund line item within the General City Purposes Fund No. 100/56, Account 000931, Crisis and Bridge Housing Fund.

2) Authorize the Controller to transfer \$745,844 from the General City Purposes Fund No. 100/56, Account 000931, Crisis and Bridge Housing Fund to the Department of General Services Fund 100/40, Account 006030, Leasing Account for the purpose of funding the three year lease, security deposit, renovation cost, insurance and maintenance cost at 1920 W. 3<sup>rd</sup> Street, Los Angeles, California 90057.

A handwritten signature in black ink, appearing to read "Tony M. Royster". The signature is stylized with a large initial "T" and a long horizontal stroke extending to the left.

Tony M. Royster  
General Manager

Attachment

1920 W. 3rd Street, Los Angeles CA 90057

Address	City	Property Type	Property Size	Space Avail	Rent\$/SF/Mo
1201 W 6th St	Los Angeles	Class B Office	450,000 SF	48,581 SF	\$3.25-\$3.65
611 W 6th St	Los Angeles	Class B Office	762,899 SF	716,060 SF	\$3.25-\$3.50
3500 W 6th St	Los Angeles	Retail/Storefront (Community Center)	165,042 SF	28,330 SF	\$3.00-\$5.00
490 W 7th St	Los Angeles	Retail/Storefront Retail/Office	47,000 SF	47,000 SF	\$2.50-\$6.00
517 W 7th St	Los Angeles	Class A Office	218,016 SF	62,426 SF	\$3.55
611 W 7th St	Los Angeles	Class B Office/Loft/Creative Space	115,902 SF	86,641 SF	\$3.67
818 W 7th St	Los Angeles	Class A Office	355,139 SF	68,189 SF	\$3.35-\$3.58
1065 W 7th St	Los Angeles	Class B Office/Loft/Creative Space	617,919 SF	187,698 SF	\$2.75
1200 W 7th St	Los Angeles	Class A Office/Telecom Hotel/Data Hosting	733,000 SF	285,655 SF	\$2.75
200-228 E 9th St	Los Angeles	Retail/Restaurant	24,605 SF	18,917 SF	\$5.00
318-320 W 9th St	Los Angeles	Class C Office/Loft/Creative Space	124,374 SF	11,777 SF	\$3.00-\$5.00
110 W 11th St	Los Angeles	Class C Office	62,600 SF	48,891 SF	\$2.75-\$3.25
2417 Beverly Blvd	Los Angeles	Class B Office	10,720 SF	10,720 SF	\$2.75
330 S Broadway	Los Angeles	Retail/Restaurant	6,240 SF	6,240 SF	\$5.00
639-659 S Broadway	Los Angeles	Class B Office/Loft/Creative Space	200,000 SF	84,767 SF	\$3.50
760-762 S Broadway	Los Angeles	Class C Multi-Family/Apartments	165,400 SF	5,298 SF	\$6.50
445 S Figueroa St	Los Angeles	Class A Office	627,334 SF	128,949 SF	\$3.88
811 Wilshire Blvd	Los Angeles	Class A Office	627,052 SF	61,789 SF	\$2.75-\$2.85