

TRANSMITTAL

TO Council	DATE 04-11-19	COUNCIL FILE NO. 19-0106
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

The attached reports from General Services (GSD) were waived by the Municipal Facilities Committee (MFC) and are hereby transmitted for Council consideration. The MFC previously approved this lease at its September 2018 meeting. Council moved to authorize GSD to execute a three-year lease agreement with B.F.P.Z. LLC., and a sublease with Home at Last CDC to operate the Bridge Housing Facility on March 1, 2019. During this time, material terms of the lease were revised, which require an amended report.

Adoption of the reports' recommendations would authorize GSD to negotiate and execute a new lease with B.F.P.Z., LLC for a portion of a privately-owned facility at 1426 Paloma St., Los Angeles, CA, 90021, for use as a bridge housing facility. The companion report is being concurrently submitted for approval, detailing the terms of the sublease with the designated site operator, Home At Last CDC.

This A Bridge Home site is being developed in partnership with the Los Angeles County Department of Health Services (DHS). The City will lease a privately owned, 17,917 square foot portion of a warehouse for \$35,000 monthly rent; and the County DHS will pay for the site's tenant improvements. The City will pay the rent for the first three (3) years, totaling \$1.295M; the County will pay for the services for the 120-bed site. After the City's three- year lease expires, the County will take over the lease and continue to provide fund the services on the site.

Fiscal Impact

The project has no impact on the General Fund as leasing expenses are funded through the State Homeless Emergency Aid Program.



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

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
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CITY PURCHASING AGENT



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April 17, 2019

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 1426 PALOMA STREET FOR USE AS A BRIDGE HOUSING FACILITY**

At the September 2018 meeting, the Municipal Facilities Committee approved a new lease at 1426 Paloma Street for use as a Bridge Housing Facility. This lease was held in Committee and subsequently approved by City Council on March 1, 2019. During this time, material terms of the lease were revised and now require an amended report and Council action. These revisions include revised square footage and option details and are more fully explained below.

BACKGROUND

The original Council motion (C.F. 18-0628) instructed GSD to negotiate and execute a new lease with B.F.P.Z., LLC for a portion of the privately-owned facility at 1426 Paloma Street. The Council motion also instructed 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.

The County DHS requested the City's assistance in leasing a privately owned 17,917 square foot portion of a warehouse for an interim homeless shelter holding approximately 120 beds. The County will fund the tenant improvements for the project.

In addition to providing funding for 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 continue operating past the term of the City lease. In the meantime, the City will hold and fund the base rent of the lease for three years using Measure HHH Crisis and Bridge Housing funds.

SHELTER SERVICES

The shelter will be operated by a non-profit organization, Home-At-Last CDC. A companion report on the terms of the sublease between the City and this non-profit is being concurrently submitted for Council approval.

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.

Through the sublease, Home-At-Last CDC will ultimately 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 ultimately have no maintenance responsibilities.

TENANT IMPROVEMENTS

The estimated cost of the proposed TI's is budgeted at approximately \$595,460 which will be primarily financed by the DHS. The owner will also coordinate with DHS to contribute \$30,000. The commercial renovation includes demolition, carpentry, steel framing, flooring, and interior paint. The non-profit tenant Home-At-Last will complete modifications as outlined in a final scope of design and improvements agreed upon by the owner, the County and themselves 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 \$0.88 to \$2.95. This lease has a psf of approximately \$1.95. This rental rate is within the range of the Fair Market Rental Rate (FMRR).

The total rentable square footage is approximately $17,917 \times \$1.95 = \$34,938$ 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:	1426 Paloma Street, Los Angeles, CA 90021
LANDLORD:	B.F.P.Z., LLC.
USE:	Homeless Housing
SQUARE FEET:	Approximately 17,917 rentable square feet within an existing warehouse (approximately half the warehouse)
TERM:	Three years (36 months)
RENTAL RATE:	\$35,000 per month, \$420,000 annually, to commence upon execution of the lease, prior to completion of TIs.
ESCALATIONS:	None for first three years, 5% each for year one and year four out of the seven year option term
OPTIONS:	One seven year option
ADDITIONAL RENT:	No pass through rent; landlord pays property taxes and insurance. Tenant is not obligated to pay common area expenses.
SECURITY DEPOSIT:	\$35,000 equal to one month's rent
UTILITIES:	Tenant (sublease) pays for utilities that serve premises only
PARKING:	Tenant shall have sole right to use, at no additional cost, six on-site reserved parking spaces, of which at least two shall be ADA compliant and accessible.

SUB-LET**CLAUSE:** Permission to sub-let**TENANT****IMPROVEMENT:** Demolition, carpentry, steel framing, flooring, and interior paint. Home-At-Last will complete modifications as outlined in a scope of work agreed to in writing by the landlord, the County and sub-lessee. Landlord will contribute \$30,000 towards modifications.**CUSTODIAL:** Tenant (sub-lessee) shall provide its own custodial services for the premises.**SECURITY:** Tenant (sub-lessee) shall provide adequate security onsite at all times; the security personnel shall have experience and special training in working with the homeless population.**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. Tenant (sub-lessee) shall be responsible for day-to-day maintenance within premises.**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.

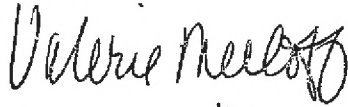
FISCAL IMPACT


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 authorize the Department of General Services to negotiate and execute a lease with B.F.P.Z., LLC, under the terms and conditions outlined in this report 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 1426 Paloma Street, Los Angeles, California.



Tony M. Royster 
General Manager

Attachment

1400 Paloma Street Market Analysis

Address	City	Property Type	Property Size	Space Avail	Rent/SF/Mo
1130 E 5th St	Los Angeles	Class C Industrial/Warehouse	11,715 SF	11,715 SF	\$1.25
1907-1919 E 7th Pl	Los Angeles	Class B Industrial/Warehouse	14,904 SF	7,500 SF	\$1.50
1721-1725 E 7th St	Los Angeles	Class C Flex/Showroom	15,000 SF	2,000 SF	\$1.90
1917-1921 E 7th St	Los Angeles	Class C Industrial/Warehouse	10,360 SF	10,360 SF	\$2.30
1224-1228 E 8th St	Los Angeles	Class C Flex	13,808 SF	6,100 SF	Withheld
2424 E 8th St	Los Angeles	Class C Industrial/Warehouse	11,200 SF	11,200 SF	\$1.00
771 E 9th St	Los Angeles	Class C Industrial/Manufacturing	10,400 SF	10,400 SF	\$1.50
2840 E 11th St	Los Angeles	Class C Industrial/Warehouse	16,648 SF	11,000 SF	Withheld
2905 E 11th St	Los Angeles	Class C Industrial/Manufacturing	10,000 SF	6,000 SF	Withheld
1110 E 14th St	Los Angeles	Class C Industrial/Warehouse	12,200 SF	8,000 SF	\$1.11
130 E 33rd St	Los Angeles	Class C Industrial/Manufacturing	14,736 SF	14,736 SF	\$1.02
947 S Alameda St	Los Angeles	Class C Industrial/Warehouse	11,721 SF	11,721 SF	\$1.10
130-134 S Anderson St	Los Angeles	Class C Industrial/Warehouse	10,128 SF	6,100 SF	Withheld
622 S Anderson St	Los Angeles	Class C Industrial/Warehouse	14,300 SF	1,600 SF	\$2.50
658-660 S Anderson St	Los Angeles	Class C Industrial/Manufacturing	12,546 SF	12,546 SF	\$0.79
2035 Bay St	Los Angeles	Class C Industrial/Warehouse	14,442 SF	3,940 SF	\$2.74
3201-3215 S Broadway	Los Angeles	Class B Industrial/Warehouse	12,596 SF	7,930 SF	\$0.82
1352-1358 S Flower St	Los Angeles	Class C Industrial/Warehouse	10,200 SF	10,200 SF	\$0.44
3660 S Hill St	Los Angeles	Class C Industrial/Manufacturing	19,303 SF	19,303 SF	Withheld
2476 Hunter St	Los Angeles	Class C Industrial/Warehouse	11,792 SF	11,792 SF	\$2.95
743 Kohler St	Los Angeles	Class C Industrial	11,600 SF	11,600 SF	\$1.25
1000 Lawrence St	Los Angeles	Class C Industrial/Warehouse	19,205 SF	19,205 SF	\$2.10
1634 Long Beach Ave	Los Angeles	Class B Industrial/Warehouse	18,000 SF	18,000 SF	\$1.25
1940 Long Beach Ave	Los Angeles	Class C Industrial/Warehouse	17,064 SF	17,064 SF	\$0.90
1729 S Los Angeles St	Los Angeles	Class C Industrial/Showroom	18,200 SF	18,200 SF	\$1.60
2500 S Main St	Los Angeles	Class C Industrial/Warehouse	12,000 SF	6,900 SF	\$0.75
1410 S Olive St	Los Angeles	Class B Industrial	10,519 SF	10,519 SF	\$1.35
956-962 S San Pedro St	Los Angeles	Class C Industrial/Manufacturing	10,540 SF	10,380 SF	\$2.50
1147-1157 S San Pedro St	Los Angeles	Class C Industrial/Warehouse	12,466 SF	2,600 SF	\$2.00
2720 S San Pedro St	Los Angeles	Class C Industrial/Warehouse	15,000 SF	15,000 SF	Withheld
1900 Santa Fe Ave	Los Angeles	Class C Industrial/Manufacturing	13,030 SF	13,030 SF	\$0.89
3690 S Santa Fe Ave	Vernon	Class B Industrial/Warehouse	11,470 SF	11,470 SF	\$0.88
1207 E Washington Blvd	Los Angeles	Class C Industrial	15,500 SF	15,500 SF	\$1.75

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Attention: Leyla Campos, Legislative Assistant

REQUEST AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW SUB-LEASE AT 1426 PALOMA STREET FOR USE AS A BRIDGE HOUSING FACILITY

The Department of General Services (GSD) requests authorization to negotiate and execute a new sub-lease with Home-At-Last Community Development Corporation (CDC), a non-profit corporation, at 1426 Paloma Street, Los Angeles, California as the program operator of this bridge housing facility.

BACKGROUND

On January 30, 2019, the City Council adopted a motion (C.F. 19-0106) instructing GSD to negotiate a three year lease agreement with the private owner of the property (owner) and a three year sub-lease agreement with Home-At-Last to operate the bridge housing program for the duration of the lease agreement with an option to renew.

The lease with the property owner was approved at the Municipal Facilities Committee meeting in September 2018. The lease was held in Committee due to community concerns and subsequently approved by City Council on March 1, 2019. During this time material terms of the lease were revised and now require an amended report and Council action. A companion report with revised terms between the City and property owner is being concurrently submitted with this report for City Council approval.

The County Department of Health Services (DHS) requested the City's assistance in leasing this privately owned 17, 917 square foot portion of a warehouse and operating it

as an interim homeless shelter holding approximately 120 beds. The County will fund the tenant improvements for the project. City participation in the lease 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 continue operating past the term of the City lease and provisions are made in both leases for that option. In the meantime, the City will hold and fund the base rent of the lease for three years using Measure HHH Crisis and Bridge Housing funds and also hold the zero cost lease with Home-At-Last to operate the shelter.

SHELTER SERVICES

Through Home-At-Last, 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 and provided to Home-At-Last. 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 ultimately have no maintenance responsibilities.

TENANT IMPROVEMENTS

The estimated cost of the proposed TI's is budgeted at approximately \$595,460 which will be primarily financed by the DHS. The owner will also coordinate with DHS to contribute \$30,000. The commercial renovation includes demolition, carpentry, steel framing, flooring, and interior paint. The non-profit tenant Home-At-Last will complete modifications as outlined in a final scope of design and improvements agreed upon by the owner, the County and themselves.

COMMUNITY BENEFIT ANALYSIS

This sub-lease agreement with Home-At-Last is established at no cost to the non-profit.

Inasmuch as 'A Bridge Home' is a City program formed to facilitate the implementation of temporary housing and the provision of social services for homeless individuals, this sublease, being necessary for implementation of the subject 'A Bridge Home' project, does not require further analysis of community benefits in support of the proposed contract consideration.

TERMS AND CONDITIONS

The proposed sub-lease will include the following:

LOCATION:	1426 Paloma Street, Los Angeles, CA 90021
LANDLORD:	City of Los Angeles (Master leaseholder)
TENANT:	Home-At-Last CDC (Non-Profit Program Operator)
USE:	Homeless Housing
SQUARE FEET:	Approximately 17,917 rentable square feet of space within an existing warehouse
TERM:	Three years (36 months)
RENTAL RATE:	Zero. Tenant shall operate the shelter and provide services in accordance with funding requirements from the County
ESCALATIONS:	None
OPTIONS:	Landlord has one (7) year option contingent upon the County.
ADDITIONAL RENT:	No pass through rent; owner pays property taxes and insurance. Tenant is not obligated to pay common area expenses.
SECURITY DEPOSIT:	None
UTILITIES:	Home-At-Last to pay for utilities
PARKING:	Tenant shall have the sole right to use, at no additional cost, six on-site reserved parking spaces, of which at least two shall be accessible to disabled individuals and in compliance with ADA.

**SUB-LET
CLAUSE:**

No permission to sub-let

**TENANT
IMPROVEMENT:**

Demolition, carpentry, steel framing, flooring and interior interior paint. Home-At-Last will complete modifications as outlined in a scope of work agreed to in writing by the owner, the County and themselves. Owner will contribute \$30,000 towards modifications.

CUSTODIAL:

Home-At-Last to provide custodial services

SECURITY:

Home-At-Last to provide adequate security onsite at all times; the security personnel shall have expertise and special training in working with homeless populations.

PROPERTY TAXES:

Owner

INSURANCE:

Owner

MAINTENANCE:

Owner 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. Home-At-Last is responsible for day-to-day maintenance within the premises.

COMMUNICATION AND FURNITURE

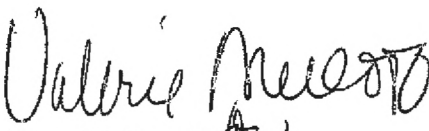
DHS will provide separate funding for communication, data, staff phones, furniture, beds, office equipment, desk, chairs, and all associated start up furnishing required to equip the facility.

FISCAL IMPACT

There is no additional impact to the General Fund.

RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a sub-lease with Home-At-Last CDC, under the terms and conditions outlined in this report for the property located at 1426 Paloma Street, Los Angeles, California.


Tony M. Royster
General Manager