

0150-11374-0000

TRANSMITTAL

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|--|----------------------|------------------|
| TO Council | DATE 06-06-19 | COUNCIL FILE NO. |
| FROM Municipal Facilities Committee | COUNCIL DISTRICT | |

At its meeting held on May 30, 2019, the Municipal Facilities Committee (MFC) approved the recommendation of the attached General Services Department (GSD) report, as amended, which is hereby transmitted for Council consideration. Adoption of the report recommendation would authorize GSD to negotiate and execute a new lease agreement with Onni Group dba Onni Times Square Limited Partnership for office space located at 145 South Spring Street, Los Angeles. The MFC provided a verbal amendment to modify the lease terms from a five year lease with two one-year options to extend, to a five year lease, with four one-year options to extend. This amendment is hereby incorporated into the report by this reference.

There is no additional General Fund impact for anticipated 2019-20 expenses that total \$491,901 and includes, communication installation (\$126,193), furniture (\$254,998), moving expenses (\$28,500), and rental payments (\$82,210). In 2017, savings from the Office of Finance operational budget was transferred to the Capital Improvement and Expense Program (CIEP) fund for this purpose. Future rental costs would be addressed through the City budget process.

It is recommended that the City Council instruct the City Clerk to place on the agenda of the first regular Council meeting on July 1, 2019, or shortly thereafter, instructions to authorize the Controller to transfer \$491,901 in CIEP funds to GSD's leasing account for all costs to be incurred in 2019-20 as follows:

FROM:**Fund/Account**

100 / 54 / 00P301

Account Title

Finance Contact Center

Amount

\$ 491,901

TO:**Fund/Account**


100 / 40 / 006030

Account Title

Leasing Account

Amount

\$ 491,901



Richard H. Llewellyn, Jr.
City Administrative Officer

RHL:MC:051900171

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



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MAYOR

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May 30, 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
145 SOUTH SPRING STREET WITH ONNI GROUP FOR THE OFFICE OF FINANCE**

The Department of General Services (GSD) requests authorization to negotiate and execute a new lease agreement with Onni Group dba Onni Times Square Limited Partnership (Landlord) for a portion of the fourth floor of the property located at 145 South Spring Street, Los Angeles, California 90012 (LA Times Building) for the Office of Finance Contact Center Operations (Finance).

BACKGROUND

At its June 28, 2018 meeting, the Municipal Facilities Committee (MFC) directed GSD's Real Estate Services Division to survey leasing options for Finance. GSD obtained Council approval (Council File 18-1138) to secure a lease with Brickstar Capital (Brickstar) located at 120 S. San Pedro Avenue. Shortly after Council approval, Brickstar advised they were no longer interested in leasing with the City as another prospective tenant committed to leasing the entire floor. The project was then placed on hold to further evaluate City-owned space options.

In March 2019, the City Administrative Office (CAO) advised GSD to seek alternate leased office space for Finance. GSD subsequently identified a space located at the LA Times Building and has preliminarily secured office space via a Letter of Intent (LOI) with the Landlord.

The LA Times Building space is located on the fourth floor and meets all initial criteria, including a minimum of 3,600 square feet of clear open space, one conference room and a data communications room. Its close proximity to the Civic Center will not require any changes in parking accommodations.

TENANT IMPROVEMENTS

The leased space will contain 4,836 rentable square feet. The landlord will provide tenant improvements at their sole cost per a mutually agreed-to space plan using building standard finishes and materials. These include a conference room, communications room and a kitchenette/break area. There are no offices; all staff will occupy workstations. The space currently complies with electrical, Title-24, ADA and key access requirements.

MARKET ANALYSIS

Based on the recent market comparables, the price per square foot for similar locations and type of office space ranges from \$2.42 to \$5.19.

GSD was able to negotiate a favorable rate of \$3.40 per square foot. This is a reasonable rental rate considering it is only a five-year term and generally the discounted rate of \$3.40 per square foot would be for a longer committed lease term. The rate is average for the rental rate market per the comparables* listed below.

| Address | City | Property Type | Rent/SF/Mo |
|----------------------------------|-------------|----------------|---------------|
| 311 S Spring St | Los Angeles | Class B Office | \$2.42 |
| 316 W 2nd St | Los Angeles | Class B Office | \$2.60 |
| 205 S Broadway | Los Angeles | Class B Office | \$2.60 |
| 353 S Broadway | Los Angeles | Class B Office | \$2.95 |
| 250 E 1st St | Los Angeles | Class A Office | \$3.00 |
| 312 E 1st St | Los Angeles | Class B Office | \$3.10 |
| 356-374 E 2nd St | Los Angeles | Class B Office | \$3.15 |
| 300-310 S Broadway | Los Angeles | Class A Office | \$3.25 |
| 350 S Grand Ave | Los Angeles | Class A Office | \$3.75 |
| 312 S Hill St | Los Angeles | Class C Office | \$3.85 |
| 453 S Spring St | Los Angeles | Class B Office | \$2.75 |
| 400 S Hope St | Los Angeles | Class A Office | \$2.33 |
| 300 S Grand Ave | Los Angeles | Class A Office | \$2.25 |
| 448 S Hill St | Los Angeles | Class A Office | \$2.75 |
| 537 S Broadway | Los Angeles | Class B Office | \$3.25 |
| 330-340 E 2nd St | Los Angeles | Class B Office | \$5.50 |
| 420 E 3rd St | Los Angeles | Class A Office | \$4.25 |
| 120 S San Pedro St | Los Angeles | Class B Office | \$3.75 |
| 530 S Spring St | Los Angeles | Class B Office | \$5.00 |
| 800 W 1st St | Los Angeles | Class C Office | \$5.19 |
| Average Price/Square Foot | | | \$3.38 |

**Comparables provided by Co-Star Multiple Listing Service*

GSD was also able to negotiate five months of rent abatement for a cost savings of \$82,212. Rent abatement will be taken in the first year during months two through six.

COMMUNICATION, CABLING, ADDITIONAL EXPENSE

On behalf of Finance, GSD also requests \$409,090 of hard costs which include:

- \$98,293 for ITA/Data

- \$27,900 for Voice/Phone Instruments
- \$254,999 for Furniture, Fittings and Equipment
- \$28,500 for Relocation costs

Finance received a \$254,998 quote for new office furniture and workstations from the City's contracted vendor, Unisource Solutions – Haworth. This includes 36 new cubicle workstations with 24" high glass stack rather than the standard 42" high panel cubicles for an additional cost of \$1,069 per cubicle or \$38,484. The glass stack panels will enable staff to readily communicate with supervisors when assistance is needed. The quote also includes \$16,632 additional costs for height adjustable desks at the workstations to address ergonomic issues.

The total cost difference for the glass stack and adjustable height workstations option versus the standard furniture option is an additional \$55,116. The quote also includes new chairs for all staff and ancillary furniture.

TERMS AND CONDITIONS

The proposed lease agreement will contain the following:

| | |
|-------------------|--|
| LOCATION: | 145 South Spring Street, Los Angeles, CA 90012 |
| LANDLORD: | Onni Group dba Onni Times Square Limited Partnership |
| USE: | General office space and call center operations |
| SQUARE FEET: | 4,836 Rentable Square Feet |
| TERM: | Five years |
| OPTIONS: | Two 1-year options |
| RENTAL RATE: | \$16,442/month (4,836 x \$3.40/RSF); \$197,309 annually |
| RENT ABATEMENT: | \$82,212 (5 Months; Months 2-6 During Year 1) |
| ESCALATIONS: | 3% Annually |
| HOLDOVER: | Month-To-Month. In the event that Tenant holds over, Tenant shall pay Landlord a holdover rent in an amount equal to 150% of the then payable rent for the first three months and 200% thereafter. |
| SECURITY DEPOSIT: | \$16,442 (One month's rent equal to first month's' rent) |
| UTILITIES: | Included in the lease rate |
| CUSTODIAL: | Included in the lease rate |

- PARKING:** Tenant shall have the option, but not the obligation, to rent, for the use of its employees, clients, customers and agents, at a parking ratio of 1/1,000 square feet of leased office space parking spaces in the landlord's parking garage pursuant to the final lease and the then current lease rates. Additional spaces may also be rented subject to availability. Additional parking options exist nearby, including a train station under construction across the street, an auxiliary parking structure across 2nd Street and a surface parking lot near the corner of 2nd & Broadway. The current rate at the Landlord's parking facility is \$165 per month.
- SIGNAGE:** Landlord, at Landlord's expense, shall furnish Tenant with standard building suite signage in the hallway outside the Premises, as well as lobby signage if applicable.
- OPERATING, TAXES, INSURANCE AND PASSTHROUGH EXPENSE INCREASES:** Tenant shall share in any increases in the actual operating costs of the Building on a pro rata basis, predicated upon a 2020 base year method-of-expense calculation. All operating expenses shall be based upon the Building being 100% occupied and fully assessed for real estate taxes. The property management fee shall never exceed three percent of the Base Rent (*Management fee already included in the lease rate load factor*).
- PROP 13 PROTECTION:** Landlord will not provide Prop 13 protection

COST

The lease cost impact to the General Fund for the first year of the lease will be \$82,212 (Four months rent of \$16,442 and one month security deposit of \$16,442) and one-time hard and moving costs of \$409,690 for a total of \$491,902. The ongoing lease costs, after year one, are approximately \$201,748 annually (plus three percent annual increase) for the remainder of the lease term. The total estimated lease costs for the five-year lease term, including hard costs, is \$1.47 million. Finance is contributing \$570,000 to the overall project costs.

The CAO has advised the necessary funds have been transferred from the Finance operational budget and appropriated to a dedicated account within the Capital Improvement Expenditure Program (CIEP) Fund, with any unused monies to be reverted to the General Fund as part of year-end reversions following payment of all final current-year expenses associated with the proposed lease.

FISCAL IMPACT

The total first year General Fund impact is an estimated \$491,902. Ongoing lease costs after year one are approximately \$201,748 annually. The total five-year impact is an estimated \$1.47 million. First-year funding has been set aside in the CIEP Fund.

RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a lease with Onni Group dba Onni Times Square Limited Partnership for office space located at 145 South Spring Street, Los Angeles, CA 90012.


Tony M. Royster
General Manager

Attachment

Exhibit A

