At its meeting held on February 27, 2020, the Municipal Facilities Committee (MFC) adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendation would authorize GSD to negotiate and execute a new five-year Lease Agreement with L&R Construction Inc. (L&R) for property located at 3061 Riverside Drive for use as a temporary bridge housing facility for families.

The City will initially enter into a lease with a 60-day termination clause pending the outcome of the tenant improvement (TI) estimate, which will be provided by the property owner. The cost and funding source of the TI will be addressed in a subsequent lease amendment, subject to approval by the MFC, Mayor and Council. $3,450,000 has been reserved for this project from the State Homeless Housing and Prevention (HHAP) grant. L&R will construct the TI to the City's plan, and the Bureau of Engineering (BOE) will provide project management and oversight assistance to GSD. The monthly lease cost of $31,000 will not commence until the TI project is complete and the Certificate of Occupancy has been received. In the event that the City and L&R are unable to agree to a final construction cost, lease terms include the right to terminate.

**Fiscal Impact**

There is no additional impact to the General Fund from the approval of the recommendations in this report. On December 13, 2019, the Mayor and City Council approved the reservation of $3,450,000 from the HHAP grant for the tenant improvements and leasing costs for the site. Operating costs will be funded through an existing Measure H funded family interim housing contract.
February 27, 2020

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

Attention: Armando Bencomo, Legislative Assistant

REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A BRIDGE HOUSING FACILITY LEASE WITH L&R CONSTRUCTION, INC.

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with L&R Construction, Inc. (L&R), for property located at 3061 Riverside Drive for use as a temporary bridge housing facility.

BACKGROUND

On December 12, 2019, City Council adopted a motion (C.F. 19-1397) instructing City staff to evaluate and determine if this site was suitable for use as a temporary bridge housing facility. Subsequently, the City’s Homeless Coordinator requested GSD proceed with the negotiation of a five-year lease with L&R for the use of the site.

The 11,764 square foot (s.f.) industrial site in Council District 4 consists of a warehouse and office space that will be repurposed into a family facility with approximately 26 separate family units and nine communal restrooms. The City will initially lease the site for five years under this agreement for approximately $31,000 per month with a 60-day termination clause pending the outcome of the tenant improvement estimate which will be addressed subsequently in a lease amendment. Rent would not commence until the Tenant Improvement (TI) project is complete and the Certificate of Occupancy has been signed off.

Through the Office of the City Administrative Officer (CAO), a non-profit organization familiar with shelter design (Brilliant Comers) will be hired to develop architectural and
construction drawings within 30-45 days of a fully executed lease by both parties. The landlord will then bid the project out and a subsequent amendment to this lease will be brought to the Municipal Facilities Committee and City Council for the TI project, including costs and funding sources for the renovations. The landlord will construct the TI's to the City’s plans and the Bureau of Engineering (BOE) will provide project management oversight assistance to GSD in reviewing the plans, any change orders, requests for information and project payment progress and invoicing.

The landlord would not hold this site for the City without an executed lease agreement and is amenable to the City’s approach of an amendment to the lease once construction costs for the TI project are solidified via the bid process.

**TERMS AND CONDITIONS**

The City has built-in several termination rights in case the City and the landlord cannot agree to a final construction price based on the bids that are received. During the pre-Certificate of Occupancy period either party may terminate if certain milestones are not met. Post Certificate of Occupancy, the City may terminate after month 48 with a termination fee equal to $93,000 based on funding considerations.

The five-year lease includes a holdover option, on a conditional month-to-month basis at the then current rental rate, along with a one five-year renewal option. A complete set of terms and conditions are outlined on the attached term sheet.

**SHELTER SERVICES**

People Assisting the Homeless (PATH) has been proposed as the non-profit provider to operate this site and a separate report on their shelter services will be brought to the Municipal Facilities Committee in next several months for review and approval.

**ENVIRONMENTAL**

A Notice of Exemption (NOE) is currently under review by BOE and a NOE will be brought to City Council for approval.

**COMMUNITY BENEFIT ANALYSIS**

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

**FUNDING**

On December 13, 2019, the Mayor and City Council acted to reserve $3,450,000 from the State Homeless Housing and Prevention (HHAP) grant for the tenant improvements and leasing costs for this site.
The City Homeless Coordinator is working with Brilliant Corners to identify the final tenant improvement costs and will coordinate with Council District 4 to identify any remaining funding needed. The funding needed to operate upon opening will be from existing Measure H funded family service agreements.

FISCAL IMPACT

There is no impact to the General Fund. Initial project funding of the lease rental costs is approximately $1.9 million for the initial term in the form of a Reserve Fund loan, to be repaid by the Homeless Housing Assistance Program (HHAP), pending City Council approval for the project. Construction costs for the project are yet to be finalized. However, the CAO has determined that the project will be allocated an up to budget not to exceed $5 million, also pending City Council approval.

RECOMMENDATION:

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a lease with L&R Construction, Inc. at 3061 Riverside Drive for use as a temporary bridge housing facility under the terms and conditions substantially outlined in this report.

Tony M. Royster
General Manager

Attachment: Term sheet
LEASING TERM SHEET

MFC DATE: 02/27/2020

LANDLORD: L&R Construction, Inc.
ADDRESS: 3061 Riverside Dr. LA, CA 90029

TENANT: City of Los Angeles - GSD
ADDRESS: 111 E. First Street 2nd Floor Los Angeles, CA 90012

LOCATION: CD 4 - 3061 Riverside Dr. Los Angeles, CA 90029

AGREEMENT TYPE: Lease
USE: Bridge Housing - Temporary Shelter
SQUARE FEET: 11,764 RSF
TERM: 60 Months from final issuance of Certificate of Occupancy
RENT START DATE: Same as Term Start date
LEASE START DATE: Effective Date of City Clerk’s Signature
OPTION TERM: One 5-Year Option Term
HOLDOVER: Month-to-Month, at then current base rental rate
SUBLET/ASSIGNMENT: Right to Sublease

TERMINATION: City may terminate after month 48 with a Termination Fee equal to $93,000
RENTAL RATE: $31,000/mo. modified industrial gross
ESCALATION: 3% annually after month 24
RENTAL ABATEMENT: None
ADDITIONAL RENT: 20% of Tenant Improvement costs amortized over the 60 month term
PROPERTY TAX: None
OPEX: None
CAM: None
<table>
<thead>
<tr>
<th>OTHER</th>
<th></th>
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<tbody>
<tr>
<td>SECURITY DEPOSIT</td>
<td>None</td>
</tr>
<tr>
<td>MAINTENANCE/REPAIR</td>
<td>Landlord</td>
</tr>
<tr>
<td>MAINTENANCE/REPAIR DETAILS</td>
<td>Tenant shall maintain the premises excluding major Building Systems except issues caused by Tenant's Use. Landlord shall be responsible for major Building Systems along with all Structural Components - roof, foundation, exterior walls.</td>
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<td>TENANT IMPROVEMENTS</td>
<td>Landlord shall build out the premises per a plan subject to City's approvals at approximately $5 million dollars including soft and hard costs. 80% of those costs shall be paid by progress payments to be further defined. 20% of total costs shall be amortized over the initial lease term.</td>
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<tr>
<td>PARKING</td>
<td>Included, as available on the property</td>
</tr>
<tr>
<td>UTILITIES</td>
<td>City shall be responsible for utilities</td>
</tr>
<tr>
<td>CUSTODIAL</td>
<td>City shall be responsible for all custodial costs</td>
</tr>
<tr>
<td>SECURITY</td>
<td>City shall provide security of the premises</td>
</tr>
<tr>
<td>PROP 13 PROTECTION</td>
<td>Landlord will provide Prop 13 protection.</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>City shall indemnify and hold harmless Landlord</td>
</tr>
<tr>
<td>OTHER:</td>
<td>Termination Right Pre C of O: -60 days from City Clerk attestation of the Lease Signature City will provide full set of Construction Drawings for Bids - confirming with architect on current status -90 days from City Clerk attestation of the Lease to finalize pricing based on Construction Drawings -180 days from City Clerk attestation of the Lease to commence construction -180 days from Construction Commencement Date to final issuance of C of O Post C of O: Right to terminate after month 48 with a termination fee equal to $93,000.</td>
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