

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 27, 2008

CAO File No. 0220-01024-2657
Council File No. 07-3495
Council District: 14

To: The Mayor
The Council

From: Raymond P. Ciranna, Interim City Administrative Officer 

Reference: Information Technology and General Services Committee request to report on Motion (Huizar-Cardenas), dated October 26, 2007

Subject: **LEASE OF CITY-OWNED PROPERTY LOCATED AT 527 SOUTH CROCKER STREET, LOS ANGELES TO LAMP, INC.**

SUMMARY

On October 26, 2007, the Information Technology and General Services Committee considered a Motion (Huizar-Cardenas), C. F. 07-3495 which directs the City Administrative Officer (CAO), with the assistance of the Department of General Services (GSD), to report with recommendations for the transfer of title of the City-owned property located at 527 S. Crocker Street, in Los Angeles (Facility/Property) in Council District 14 to LAMP, Inc. a nonprofit organization also known as Lamp Community (Lamp). The Motion directed the CAO to explore the feasibility of, and determine the steps needed to transfer title of this Facility to Lamp for the development of a capital improvement project at the Facility on the condition that ownership of the property would revert to the City should Lamp cease its current use of the Facility or attempt to sell the property.

Lamp provides services to homeless men and women with mental illness. These services include permanent and temporary housing, recovery services, meals, job training and other social services. Lamp also operates a public laundry service and public showers at the Facility. Lamp has received funding from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) allocation for maintenance and repair projects at the Facility.

Lamp has indicated that it is in the process of securing up to \$3 million from public and private sources as part of its 'Forging the Future' capital campaign for the repair and improvement of the Facility. Approximately \$1.8 million of the \$3 million has been secured. The improvements will include: 1) repair and expansion of the laundry service, showers and toilets, 2) expansion of office space, 3) repair to certain structural aspects of the building, such as the roof and 4) a new façade on the building. Lamp has indicated that ownership of the property or site control will assist it in securing this funding. In addition, Lamp has indicated that the start of construction is pending the resolution of the title transfer of the Facility.

Our Office participated in a Working Group with staff members from the City Attorney, Chief Legislative Analyst, Community Development Department (CDD), GSD, Council District 14 and Lamp to discuss the transfer of the Property to Lamp. The consensus of the Working Group is that it is not

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feasible to transfer the title of the property to Lamp at this time. The ability of the City to transfer title of the property is made difficult by restrictions on the sale of property that have been improved with HUD funds, as mandated in the Federal Code of Regulations, 24 CFR 570.505 – Use of Real Property. The GSD completed a Class C estimate of the value of the Facility in February 2008 and determined the Estimated Value to be \$2 million. Discussions with Lamp indicate that it does not have the ability to purchase the property from the City at the compensation level that is required by HUD regulations. Under the circumstances, the alternative approach of entering into a long-term lease with Lamp might be the most effective means to meet the needs of Lamp and the Downtown community.

The Council may find, as a policy decision that it is in the best interest of the City to enter into a 20-year Lease Agreement with Lamp on a non-competitive basis in exchange for Lamp's financial commitments to make Property improvements and continue the community services being provided for the term of the Lease Agreement.

Policy Decision

Pursuant to the Los Angeles Administrative Code, Section 7.33.50 "the Council may determine that it is in the public interest to assist a nonprofit corporation in financing or refinancing its acquisition and improvement of real property and equipment and that the assistance requires the City to purchase real property from the nonprofit corporation and then re-sell the real property back to the nonprofit corporation, or requires an equivalent lease/leaseback of real property. The Council may by resolution or ordinance authorize the execution of any deed, contract, lease, installment purchase agreement, installment sale agreement, trust agreement, or other instruments as may be necessary to accomplish the purchase, sale, or lease at and for a price or consideration and upon the terms and conditions to be specified in the resolution or ordinance."

Council Findings

If the Council finds that it is in the best interest of the City to enter into a 20-year lease with Lamp, the Council should direct GSD and CDD to work with the City Attorney to structure a Lease Agreement with Lamp incorporating the relevant terms and conditions for the longer term of 20 years. The Department of Public Works, Bureau of Engineering should be directed to monitor construction improvements, GSD to monitor the lease and CDD to monitor the social services aspects of the lease. As with any lease of City property (including to nonprofits), the Council should make findings to address City mandate regarding competitive bidding.

Competitive Bidding

The City's Charter and Administrative Code require competitive bidding on all contracts, including leases of City property. Charter Section 371(e)(10) exempts competitive bidding if it is undesirable, impractical or impossible. If Charter Section 371(e)(10) applies, Charter Section 372 requires a competitive selection process such as a Request for Proposals (RFP). However, Charter Section 372 exempts the need for an RFP if it is "not reasonably practical" or "compatible with the City's interest."

Lamp has established and operated a community services program in the Facility for approximately 22 years. Documents provided by Lamp indicate that it has the highest success rate in the United States for ending homelessness. It provides critical housing and support services to the most

marginalized and disenfranchised homeless individuals. Its approach of providing housing and services to the homeless population has made it a national model for a successful program that addresses the twin crises of mental illness and homelessness. In addition, Lamp intends to make approximately \$3 million in capital improvements to this City-owned property which will result in an increase in the value of a City asset while enabling Lamp to provide effective and efficient services to the Downtown Los Angeles community. Lamp's institutional knowledge and innovative programs puts it in a unique position to continue to provide services at this location and complement the City's efforts to reduce homelessness.

In light of the benefits to the community, the Council may find that it supports exceptions to Los Angeles Administrative Code (LAAC), Section 10.3 and Charter Sections 371(e)(10) and 372, and that the City can award a lease to Lamp without using any competitive selection process. It may not be reasonably practical or compatible with the City's interest to conduct a competitive bidding process for the lease of the Facility.

Lamp Community Operations

The Facility is also referred to as Lamp Village and is one of six sites located in Downtown Los Angeles that are operated by Lamp. The other sites include Frank Rice Safe Haven, Lamp Lodge, St. George Hotel, Ballington Apartments and La Primavera Apartments. Lamp states that it requests a transfer of the title of the Facility or a long-term lease as an alternative, to address any concerns that potential donors and investors to its Forging the Future fundraising campaign may have with the existing month-to-month lease. The Forging the Future campaign is a project to secure funding for capital improvements to the Facility. Lamp states that the objectives and outcomes of the Forging the Future project include the following:

- Increase equipment available in showers, toilets and laundry service by 85 percent;
- Add two music studios;
- Reconfigure office space;
- Expand the Money Management Program;
- Add a multi-purpose community room; and,
- Expand mental and health care services to approximately 1,200 individuals annually.

Given the existing HUD regulations that make a direct sale of the property to Lamp unfeasible at this time, the execution of a long term lease will allow the organization to proceed with capital improvements and expanded services without jeopardizing other funding sources or disrupting service provision.

Current Lease

The Facility is a 25,000 square-foot brick building located at 527 South Crocker Street in Downtown Los Angeles. It currently houses 50 homeless people with severe mental illness in a community setting, the program and administrative offices of Lamp, public laundry services, public showers and public toilets.

The existing Lease Agreement (Agreement) between the City and Lamp, Contract Number C-68315, was executed over 22 years ago. The second amendment to the Agreement was approved by

Council in 1992 (C.F. 92-0521) to extend the expiration date to December 31, 1994. The Agreement has remained on a month-to-month status, and has more recently been pending negotiations on the conveyance of the Facility to Lamp. The current Agreement requires Lamp to provide community social services to low and moderate income residents in accordance with HUD regulations in lieu of lease payments. Lamp is solely responsible for all Facility improvements, maintenance, utilities and insurance. The CDD monitors Lamp for compliance with HUD regulations.

Proposed Replacement Lease

A 20-year Replacement Lease between the City and Lamp will provide Lamp with long-term control of the site. It will include language regarding termination of the lease by either party. In addition, the Replacement Lease will include language regarding the remedies available to the City for non-compliance with the terms and conditions or default in performing the services. The terms and conditions of the Replacement Lease should include but not be limited to those referenced in the attachment to this report. In lieu of lease payments, Lamp will provide site improvements to interior and exterior areas with funding acquired from its Forging the Future capital campaign, continue to provide community services, conduct all property maintenance and absorb utility payments and insurance costs, subject to City and federal policies.

Lamp states that community services and programs that will be provided in lieu of rent will include the following:

- 1,500 nights of supportive housing each month - services are voluntary and include psychiatry and medication management and individual and group counseling;
- A Wellness Center for approximately 50 individuals monthly – services offered include self-help groups, substance abuse and mental health services, and vocational/employment;
- Payee and Money Management services for approximately 110 individuals monthly;
- Approximately 1,950 meals served each month;
- Approximately 1,950 loads of laundry each month at the public laundry service; and,
- Approximately 2,250 showers each month at the public showers.

City Compliance Issues

The Replacement Lease will be subject to the review and approval of the City Attorney as to form. The GSD and CDD will work with the City Attorney to develop a Replacement Lease Agreement incorporating the terms discussed in the attachment to this report or as determined by Council. Pursuant to Section 10.37 of the LAAC, the Replacement Lease will be subject to the requirements of the City's contracting policies. In addition, Lamp will be required to continue to provide services that meet a HUD National Objective for the term of the Replacement Lease. It is the responsibility of Lamp to obtain the necessary permits, inspections and approvals as required for the capital improvements to the Facility.

It should be noted that a study of City-owned property leased to nonprofit organizations is currently in progress as requested by Council in October 2008 (C.F. 08-2762). The long-term lease with Lamp is referred to Council at this time due to the urgent need for Lamp to acquire site control and obtain funding for capital improvements to the Facility. The recommendations in this report are in compliance with the City's Financial Policies in that funding for capital improvements to the Facility is

funded from non-City sources. Any potential loss of revenue due to non payment of rent is offset by the capital outlay and community services that will be provided by Lamp.

RECOMMENDATIONS

If the Mayor and Council find that it is in the best interest of the City to enter into a 20-year lease with Lamp, Inc., then approval should be made as follows:

That the Council, subject to the approval of the Mayor:

1. Find that it is in the best interest of the City to enter into a long-term lease with Lamp, Inc.;
2. Find that it supports exceptions to Los Angeles Administrative Code (LAAC), Section 10.3 and Charter Sections 371(e)(10) and 372, and that the City can award a lease to Lamp, Inc. without using any competitive selection process as it may not be reasonably practical or compatible with the City's interest to conduct a Request For Proposals for the lease of the Facility;
3. Direct the General Manager, Department of General Services (GSD), or designee, and the General Manager, Community Development Department (CDD), or designee, to negotiate and execute a Lease Agreement between the City and Lamp, Inc. for the City-owned property located at 527 South Crocker, Los Angeles, for a term of 20 years commencing on November 1, 2008 through September 30, 2028. Lamp, Inc. will provide capital improvements to the property and continue the provision of community services. The Lease Agreement will be subject at minimum to the terms listed in the Attachment to this report, review and approval of the City Attorney as to form and compliance with the City's contracting requirements and U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG);
4. Direct the General Manager, Department General Services (GSD), or designee, to monitor the Lease Agreement with Lamp, Inc. in accordance with the City's Asset Management Policies;
5. Direct the General Manager, Community Development Department (CDD), or designee, to monitor programs and services provided by Lamp, Inc. in accordance with HUD and CDBG regulations; and,
6. Direct the City Engineer, or designee, to monitor the capital improvements on the City-owned property in accordance with City policies.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The recommendations in this report are in compliance with the City's Financial Policies in that funding for capital improvements to the Facility is funded from non-City sources. Any potential loss of revenue due to none payment of rent is offset by the capital outlay and community services that will be provided by Lamp, Inc.

RPC:BLT:02090089

Attachment

**Lamp, Inc. Lease
527 South Crocker Street, Los Angeles
Terms and Conditions**

- Location:** 527 South Crocker Street, Los Angeles, California 90012
- Lease Term:** Twenty years commencing on November 1, 2008 through September 30, 2028
- Rental Rate:** No monetary payment in lieu of capital improvements and community services as referenced below
- Clients Served Annually:** 1,200 Individuals
- Consideration** Services provided by Lamp will include the following for the term of the lease:
- Provide temporary and permanent housing for mentally-disabled and drug addicted persons;
 - Provide integrated services including housing, meals, health and mental health services, psychiatric care, drug recovery, job training and social services;
 - Provide all required maintenance, utilities and insurance required to keep the premises safe and free from hazards; and,
 - Provide reports as requested to the Community Development Department and the Department of General Services to comply with monitoring requirements.
- Facility Improvements:** Lamp will expend approximately \$3 million to implement the construction and service expansion objectives and outcomes of its Forging the Future project
- Compliance Issues:** Lamp will obtain appropriate permits, inspections and approvals for structural improvements to the facility; and,
- Lamp will comply with all U.S. Department of Housing and Urban Development, Community Development Block Grant regulations and mandated City Ordinance requirements for City leases.