

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0640-00003-0000

Date: December 12, 2012

To: The Honorable Members of the City Council

From: Miguel A. Santana, City Administrative Officer

Subject: **REQUEST FROM NOVEMBER 26, 2012 MEETING OF THE INFORMATION TECHNOLOGY AND GENERAL SERVICES COMMITTEE FOR FISCAL IMPACT OF THE PROPOSED NEW LEASE FOR LAPD SOUTH TRAFFIC DIVISION (C.F. 12-1791)**

At a meeting of the Information Technology and General Services Committee meeting held November 26, 2012, the General Services Department (GSD) requested authority to negotiate and execute a new lease for 21,413 square feet of improved office space for the LAPD South Traffic Division (South Traffic) at the Baldwin Hills Crenshaw Plaza located at 4125 S. Crenshaw Boulevard in Council District 8. The Committee approved the request from GSD, but also instructed that prior to scheduling and consideration of the lease by Council, a written report be provided by the City Administrative Officer, Chair of the Municipal Facilities Committee (MFC) on the fiscal impact of the lease and on whether or not there were sufficient funds in the GSD 2012-13 leasing account to offset the new LAPD lease expense. The following is the information requested.

The City has been paying \$1 per year in lease costs for the space occupied by South Traffic for more than 23 years. However, after significant renovations to the complex, some of which specifically benefit the LAPD, the landlord is no longer able to provide the upgraded space at \$1 per year. Consequently, GSD Asset Management Division negotiated the proposed lease at \$1.17 per sq. ft. for an annual cost of \$300,639. Based on the proposed October 1, 2012 effective date of the lease, a total of \$225,477 is required to cover FY 2012-13 lease costs.

The new lease was considered and approved at a meeting of the MFC on November 15, 2012 with instructions that GSD report back through the Mid-Year Financial Status Report (FSR) on how the new lease expense would be covered. Based on the tracking of new and discontinued lease items considered through MFC since the start of FY 2012-13, GSD's leasing account should have an unanticipated surplus to the General Fund of over \$457,000 which are sufficient to offset South Traffic's partial year lease costs of \$225,477. To the extent that there are additional unanticipated unbudgeted lease expenses incurred by GSD through the end of the current fiscal year, GSD should be directed to report on and include those items in the appropriate FSRs.

FISCAL IMPACT

At this time, there is no additional fiscal impact to the General Fund of the proposed new lease costs of \$225,477 because of the unanticipated General Fund surplus in the GSD Leasing Account resulting from reduced new lease rates and discontinued leases.