

ENTERTAINMENT AND FACILITIES COMMITTEE REPORT relative to a lease between the City of Los Angeles and Los Angeles Department of Water and Power (LADWP) for office space in the 221 Tower located at 221 North Figueroa Street.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the Department of General Services (GSD) and the City Attorney to execute the lease terms and lease with the LADWP, Attachment Nos. 1 and 2 of the Report from Board of Water and Power Commissioners (Board) dated October 6, 2012, attached to the Council file.
2. AUTHORIZE the City Attorney to make technical changes to the lease agreement dated October 6, 2012, attached to the Council file, between the GSD and LADWP to occupy floors 9, 10, 15 and 16, of the City-owned building located at 221 North Figueroa Street and related documents as needed.
3. FIND, in accordance with Charter Section 371(e), that the proposed contract for tenant improvements can be awarded on a sole source basis to CB Richard Ellis (CBRE) for LADWP tenant improvements that are required as part of the lease. CBRE has special qualifications due to its experience managing and restoring the property to expedite completion of the needed repairs, alterations and improvements. The performance of these special services is of a temporary nature such that competitive bidding would not be practicable or advantageous.
4. AUTHORIZE the GSD to negotiate and execute a sole source contract with CBRE for tenant improvements limited to the floors assigned to LADWP, to include project management, space planning, cabling, relocation services, and other associated costs, for a total contracting amount not to exceed \$5,497,400 million, to be funded by \$5 million in funding from LADWP, and a City contribution of up to \$497,400 for cabling work.
5. AUTHORIZE the Controller, upon approval of the lease by Council, to take the following actions:
 - a. Recognize one-time receipts of \$3,733,816 from LADWP Fund No. 704/98, Revenue Source No. 5166 within the Capital Finance Administration Fund No. 100/53, Revenue Source No. 5188, which will be used to repay City project funds that were expended on improvements completed on floors 15 and 16 at 221 North Figueroa Street.
 - b. Recognize receipts of \$5 million from LADWP Fund No. 704/98, Revenue Source No. 5166 within GSD Fund No. 100/40, Revenue Source No. 4596, and appropriate therefrom to GSD Fund No. 100/40, Account No. 3040 to fund the recommended sole source contract with CBRE to complete remaining improvements for the space assigned to LADWP at 221 North Figueroa Street (floors 9, 10, 15 and 16), and transfer cash therefrom, up to \$5 million, on an as-needed basis, upon proper invoicing and subject to any other milestones defined as part of the final lease agreement.

- c. Authorize the GSD to expend up to \$497,400 within GSD Fund No 100/40, Account No. 3040, to fund the City's contribution up to this amount for LADWP cabling work on the 9th and 10th floors at 221 North Figueroa Street.
6. AUTHORIZE the City Administrative Officer (CAO) to make technical adjustments, as needed, to implement the Council's intent on this agreement.
7. APPROVE Board Resolution No. 017 067, adopted by the Board on October 4, 2016, approved as to form and legality by the City Attorney, which authorizes resolution requesting approval of a lease between the City and LADWP for Office Space at 221 North Figueroa Street, Los Angeles, California (Real Estate File J-100184). The proposed lease is for a term of ten years with the option to terminate without penalty after the eighth year and for a total cost of \$40,835,130 for the full term lease and associated costs.
8. RECEIVE and FILE the Municipal Facilities Committee (MFC) report dated June 10, 2016.

Fiscal Impact Statement: None submitted by the MFC. Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

TIME LIMIT FILE - DECEMBER 18, 2016

(LAST DAY FOR COUNCIL ACTION - DECEMBER 14, 2016)

(Energy and Environment Committee waived consideration of the above matter)

SUMMARY

At the meeting held on September 13, 2016, your Entertainment and Facilities Committee considered MFC, LADWP and Board reports relative to a lease between the City and the LADWP for office space in the 221 Tower located at 221 North Figueroa Street. The MFC reports that at their meeting on September 1, 2016, the MFC approved lease terms, which are summarized in Attachment 1 of the Board report dated October 6, 2016, for a ten-year lease with LADWP for 82,900 square feet of space at 221 North Figueroa Street. LADWP indicated that the lease item would be scheduled for the Board meeting scheduled for September 20, 2016. The MFC asked LADWP to provide the CAO with written confirmation that the lease terms had been fully approved by the Board by the close of business on September 21, 2016. However, at the meeting the Board continued the item. At the MFC meeting on September 29, 2016, the MFC granted LADWP's request to extend the lease offer to October 5, 2016. On October 4, 2016, the Board approved the lease and its related documents by Resolution No. 017 067, attached to the Council file.

An overview of the matter was provided by the General Manager of the LADWP and staff from the City Attorney's Office. Further comments were provided by the LADWP's Rate Payer Advocate and by Board member Noonan. After an opportunity for public comment was held, the Committee moved to approve the recommendations presented in the MFC report dated October

6, 2016 and the Board Resolution dated October 14. The Committee also moved to receive and file the MFC report dated June 10, 2016. Finally, the Committee requested that the letter submitted by Board member Noonan be attached to the Committee report. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

ENTERTAINMENT AND FACILITIES COMMITTEE

A handwritten signature in blue ink, appearing to read "Michael O'Farrell".

<u>MEMBER</u>	<u>VOTE</u>
O'FARRELL:	YES
KREKORIAN:	YES
BUSCAINO:	ABSENT

ME

-NOT OFFICIAL UNTIL COUNCIL ACTS-

October 26, 2016

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Subject: Resolution requesting approval of a Lease between the City of Los Angeles and LADWP for Office Space at 221 North Figueroa Street, Los Angeles, California (Real Estate File J-100184; Resolution No. 017 067)

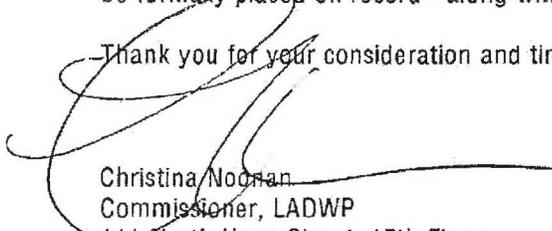
Honorable Councilmembers,

It has been my privilege to serve as a civic servant and commissioner for our Great City for over a decade. During my tenure as a DWP board member, this has been the only time I have felt compelled to present my strong objection to a DWP agendized item before City Council, which passing pends on your approval. \$40M is not in question... Rather, this transaction is linked to, but does not address, the equation of the remodel of DWP's headquarters. This first request before you will play into a domino effect wherein ratepayers will be forced to spend hundreds of millions of dollars due in large part to how construction of Tenant Improvements will be handled. A DWP staff member who was closely involved with this pending resolution advised me that IBEW would be handling both retrofits entirely on overtime hours during an 8-10 year period; A task that had this construction been put out to bid could be accomplished easily within 3 years and at a fraction of the cost. Furthermore, as a commercial estate broker for over 17 years, the terms of the lease you are considering are not only unfavorable, but certain provisions are simply unheard of in Los Angeles' real estate market. In addition, several important financial line items are absent in this proposal, including but not limited to, architectural fees, furniture, fixtures, and relocation costs.

Given that this transaction is between the City of Los Angeles and its Department of Water and Power, the contract appears incestuous and lacks the transparency and correctness, which our citizens deserve. Given our role to protect the best interests of our constituents, I respectfully request that further due diligence with properly procured entities be implemented, along with a fair and comprehensive strategy be executed, to address the space needs and reconfigurations that are being requested by the Department. Until such time, this resolution should be tabled.

Furthermore, I find it troubling that the comments, concerns and suggestions of DWP's Rate Payer Advocate have not been included onto Public Record. As a commissioner involved in this scenario, I request that all of Fred Pickel's public comments relating to Resolution No. 017 067 stated within DWP's board meetings and before your Entertainment and Facilities committee on October 11, 2016 be formally placed on record - along with this document.

Thank you for your consideration and time.


Christina Noonan
Commissioner, LADWP
111 North Hope Street, 15th Floor
Los Angeles, California 90012

Date: 10/26/16
Submitted in EF Committee
Council File No: 16-0683
Item No.: 1
Deputy: Ch. From BWP Comm. Noonan