

**TRANSMITTAL**

TO Council	DATE  01-05-18	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its Special meeting held on December 21, 2017, the Municipal Facilities Committee adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize GSD to negotiate and execute a nonprofit lease agreement between the City and the Mural Conservancy of Los Angeles (MCLA) to utilize vacant space located at 260 South Main Street to operate a museum. There is no additional impact on the General Fund as CIEP monies will be utilized to fund the tenant improvements, with 50 percent of the total costs to be repaid by MCLA as rental payments over a ten year term.

  
Richard H. Llewellyn, Jr.  
Interim City Administrative Officer  
Chair, Municipal Facilities Committee

RHL:JMS/EHD:05180076

**CITY OF LOS ANGELES**  
CALIFORNIA

**Agenda Item No. 3**

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT



ERIC GARCETTI  
MAYOR

DEPARTMENT OF  
GENERAL SERVICES  
ROOM 701  
CITY HALL SOUTH  
111 EAST FIRST STREET  
LOS ANGELES, CA 90012  
(213) 928-9555  
FAX NO. (213) 928-9515

December 21, 2017

Honorable City Council  
City of Los Angeles  
c/o City Clerk  
Room 395, City Hall  
Los Angeles, California 90012

Attention: John White, Legislative Assistant

**REQUEST FOR AUTHORIZATION TO NEGOTIATE  
AND EXECUTE A NEW LEASE WITH THE MURAL  
CONSERVANCY OF LOS ANGELES, A NON-PROFIT ORGANIZATION**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with the Mural Conservancy of Los Angeles (MCLA), a non-profit organization for the use of vacant space located at 260 South Main Street.

**BACKGROUND**

A Council Motion was adopted on September 26, 2017 (C.F. 17-1097) requesting GSD to negotiate and execute a new lease for the MCLA. MCLA is a 501(c)(3) non-profit organization dedicated to providing charitable and educational service involving mural and fine arts. The non-profit is in need of space to operate a museum in Council District 14.

There is approximately 2,700 square feet of vacant space at the Motor Transport Division (MTD) in which MCLA is requesting to lease. The space is currently a vanilla shell with minimal interior finishing. Construction for the MTD building was completed in 2008 and this storefront space has not been rented to date.

**KEY TERMS**

The City and MCLA will each pay 50 percent of the tenant improvements (TIs). MCLA will reimburse the City for its share through monthly payments of \$1,420.83 over the



ten-year term at no interest. Capital Improvement Expenditure Program (CIEP) funds will be used to fund the improvements.

The City will require MCLA to host two annual community events, a public event quarterly, and a monthly event such as the art walk. Additional requirements are that office hours must be at least three days weekly, and the space must reflect a visual component that can be viewed from the street. The site must not be used as storage space.

### TERMS AND CONDITIONS

The proposed lease agreement will contain the following:

Location:	260 South Main Street
Landlord:	City of Los Angeles
Use:	The site will be used to operate a non-profit organization
Square Feet:	Approximately 2,700
Term:	Ten years
Option:	Two 10-year options
Monthly Loan Payment:	\$1,420.83 per month or \$17,050 per year for 10 years beginning on the first of the month after lease execution date to repay \$170,500 back to City for one-half of initial payment of approximately \$341,000 needed for TIs.
Security Deposit:	Not Required
Utilities:	All utilities will be at the sole cost of the tenant.
Interior Maintenance:	Any cost to maintain the interior of the building will be at the sole responsibility of the tenant.
Parking:	Parking is not available at the site. Tenant must provide.
Tenant Improvements:	Tenant will be responsible for \$170,500 of the TI costs.
Custodial:	All custodial services will be at the sole cost of the tenant.
Refuse Pick Up:	Any refuse cleanup and disposal, either interior or exterior, will be at the sole cost and responsibility of the tenant.

COMMUNITY BENEFIT

The City Administrative Officer completed the attached Community Benefit Analysis (CBA) and recommends approval of the proposed terms and conditions of the lease. As summarized in this report and detailed in the attached CBA, the total community benefit is estimated at \$442,000 annually, which exceeds the market value of \$79,380 for the leased space by \$362,620.

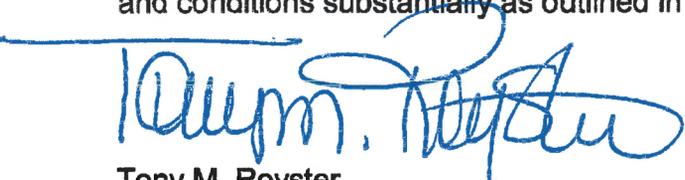
The proposed lease is consistent with the City's proposed Non-profit Leasing Policy in that the rental value of the space is exceeded significantly by the value of services provided by the non-profit lessee.

FISCAL IMPACT

The City will use CIEP funds to finance \$170,500 or 50 percent of the tenant improvements under this lease. The tenant will reimburse the City its 50 percent share through annual payments of \$17,050 or a total of \$170,500 over the next ten years.

RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a new lease agreement with the Mural Conservancy of Los Angeles to operate a non-profit organization at 260 South Main Street under the terms and conditions substantially as outlined in this report.



Tony M. Royster  
General Manager

**Community Benefit Analysis for Proposed Non-Profit Lease**

<b>I. Proposed Lease Terms and Conditions</b>	
Facility Location:	260 South Main Street, Los Angeles, CA 90012
Lessee:	Mural Conservancy of Los Angeles, a non-profit 501(c)3 organization
Council File Reference:	17-1097 (Motion adopted on 9/26/2017)
Space Assignment:	Approximately 2700 square feet (Floor)
Term & Renewal Option:	Ten year term, with two 10 year options to renew. Approval of the renewal options at the existing rate will be at the discretion of the City.
Market Rate:	\$2.45 per square foot per month
Proposed Rental Rate:	\$17,050.00 per year during the first term, with rate under any renewal options to be subject to negotiation.
Utilities/Custodial:	Lessee shall be financially responsible for all applicable utility and custodial costs, including pressure washing exterior.
Tenant Improvements:	Lessee shall have full responsibility for 50% of the cost of the tenant improvements (TI's) and ongoing maintenance requirements at the site. Tenant's portion of the TI cost will be \$170,500.00.
<b>II. History and Current Services</b>	
Mission:	The Mural Conservancy of Los Angeles (MCLA) advocates for the rights of artists and public art, working with artist to support the integrity of their work. MCLA promotes local artist and public murals in order to sustain Los Angeles as one of the great Mural Capitals in the United States.
Vision:	MCLA's vision is to preserve the mural history of Los Angeles and raise public awareness of murals and public art in Los Angeles. Ultimately, MCLA envisions a time when murals and public art are treated as an integral part of the local art scene and understood as having potential rise to the highest levels of artistic expression, like any other art form. Outside of advocating for public art, MCLA has no particular focus in terms of particular artists, political views or ethnic affiliation. MCLA strives to protect and advocate for the art that the people of Los Angeles support.
Background / History:	MCLA was founded in 1987 as a community-supported organization to preserve and protect Los Angeles' diverse and culturally historic public Mural Arts. It was created by a coalition of Artists, Public Art Advocates, City of Los Angeles and State of California Public Officials, and Restoration Specialists. MCLA built long-term programs to retain mural arts as a part of Los Angeles' cultural legacy and establish murals as a significant part of the city's cultural heritage.

**Community Benefit Analysis for Proposed Non-Profit Lease**

<b>Current Services:</b>	Currently, MCLA is involved in restoration of murals such as the "Pope of Broadway" mural of Anthony Quinn, which was restored this year by the original artist and came in under budget. MCLA is actively involved in keeping the Olympic Freeway Murals along the 101 Highway free of graffiti. This is a never-ending chore, completely funded by donations. MCLA holds periodic mural tours. MCLA works with student volunteers. MCLA puts film companies in touch with muralists. MCLA fields multiple emails a week from people looking to contact artists or who are frustrated by the lack of public information regarding murals. MCLA is working with Google for Hispanic Heritage Month. MCLA is currently without an office, but if it receives the space in Downtown Los Angeles, it will quickly transform the space into a center for public art activity and education.
--------------------------	---

**III. Community Benefit Analysis**

<b>Value of Direct Services:</b>	<p><b>A. Value of Dedicated Staff: \$40,000</b> MCLA is currently looking for an executive director</p> <p><b>B. Value of Services to Participants: \$200,000</b> MCLA efficiently provides tens of thousands of dollars of art restoration services for a fraction of the cost.</p>
<b>Value of Operational Budget:</b>	<b>C. Value of Operational Budget - specify: \$192,000</b> Includes \$103,000 for program service expenses and \$89,000 for management and general expenses.
<b>Additional Offsets / In-Kind Services:</b>	<b>D. Value of Additional Offsets - specify: \$10,000</b> Includes legal and accounting donated services.
<b>Total Community Benefit:</b>	<b>\$442,000 annually</b> (=A+B+C+D above)
<b>Market Value for Leased Space</b>	<b>\$79,380 annually *</b>  (* calculated as: average market rate of \$2.45 per s.f. multiplied by assigned space of 2700s.f. multiplied by 12 months = \$79,380)
<b>Benefits Finding &amp; Recommended Action.</b>	Community benefits estimated at <b>\$442,000</b> annually, <b>exceed</b> the market value of <b>\$79,380</b> for the leased space by <b>\$362,620</b> .  The proposed lease is consistent with the City's proposed Non-Profit Leasing Policy in that the rental value of the space is exceeded/significantly offset by the annual contributions in services from the non-profit lessee. The proposed terms are recommended for approval.

9/25/2017 Date	<i>Araceli Jimenez</i> Analyst	<i>Maria Cardenas</i> Chief	<i>Yolanda Chen</i> Assistant CAO
-------------------	-----------------------------------	--------------------------------	--------------------------------------