

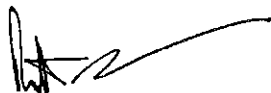
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TRANSMITTAL

TO Council	DATE 10-19-22	COUNCIL FILE NO. 22-1063
FROM Municipal Facilities Committee		COUNCIL DISTRICT 4

The Municipal Facilities Committee (MFC) has waived the attached report prepared by the General Services Department (GSD), which is hereby transmitted for Council consideration. Adoption of the report would authorize GSD to negotiate and execute a lease agreement with Ventura Ethel Ltd., for approximately 5,703 square feet of field office space for Council District 4 located at 13103 Ventura Boulevard, in Studio City. The Council Office has requested a new field office that is centrally located within the new boundaries defined for Council District 4 as a result of redistricting. The initial lease term is for five years, with the first option to extend for three years and the second option to extend for an additional four years.

There is no anticipated current-year impact on the General Fund. Based on preliminary projections provided by GSD, there appears to be sufficient savings within the Citywide Leasing Fund to offset the leasing costs and associated tenant improvements. A complete reconciliation of the Citywide Leasing Fund will be provided to the MFC as part of the next Citywide Leasing Quarterly Status Report, with any potential year-end shortfalls to be reported to Council through the Financial Status Report.



Matthew W. Szabo
City Administrative Officer

MWS:ACG:05230057

CITY OF LOS ANGELES

CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



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MAYOR

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October 27, 2022

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

Attention: Michael Espinosa, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE AN OFFICE LEASE AT 13103
VENTURA BOULEVARD, LOS ANGELES, CA 91604 WITH VENTURA ETHEL LTD
FOR THE COUNCIL DISTRICT FOUR FIELD OFFICE**

The Department of General Services (GSD) requests the authority to negotiate and execute a lease agreement for property owned by Ventura Ethel Ltd. for the use of office space for Council District Four (CD4) at 13103 Ventura Blvd, Los Angeles 91604.

BACKGROUND

On September 13, a motion (CF 22-1063) was introduced instructing GSD to enter into an agreement to execute a lease agreement at 13103 Ventura Boulevard for field office space (5,703 sf) for CD4. CD4 experienced major changes to the district boundaries and constituent demographics due to the most recent redistricting process. The CD 4 councilperson requests field office space to a location that would be more centrally located and better serve the new constituency.

CD 4 has two field offices. The main field office is now located at 14930 Ventura Blvd (1,842 sf). The City-owned office at the Municipal Building Hollywood Neighborhood City Hall (HNCH) is located in CD13 but abuts CD4 only blocks away. A small office space (439 sf) is being retained in the HNCH building by CD 4 staff.

Redistricting Impacts

The new CD4 boundaries gained a significant presence in the Valley, picking up Studio City which is now at the heart of the district along Ventura Boulevard. Their field office in the City-owned municipal building, Hollywood Neighborhood City Hall (HNCH), is now located in CD13. The currently leased office space at 14930 Ventura Boulevard is located at the western-most part of the new district boundary which is removed from the center of the newly formed Valley portion of



the district. This 1,842 sf lease will expire in April of 2025. The monthly rent is approximately \$5,065 per month. GSD is currently working with the landlord to sublet the space should this request for new office space be approved by City Council.

If the current office space at 14930 Ventura Boulevard cannot be sub-leased, the payout would total approximately \$193,488. GSD is making efforts to locate a City department in the space if subleasing the space is not possible.

CD 4 acquired a field office, which was located in Council District Five (CD 5) prior to redistricting. That 2,160 sf space at 15760 Ventura Boulevard has recently been terminated. The rent for this lease was approximately \$7,300 per month or \$87,500 annually.

CD 4 has also been impacted in the Hollywood portion of the former district boundaries, losing another vital field office location at the City-owned municipal building, Hollywood Neighborhood City Hall (HNCH), at 6501 Fountain Avenue which is now in Council District 13's (CD 13) area. At HNCH they had 2,176 sf of office space and use of a 1,585 sf community room. They will retain a small 439 sf presence in this building. A Notice of Assignment to the Municipal Facilities Committee is being submitted in a separate report to allow CD 13 to occupy CD 4's former space.

In observance of the many changes described above, CD4 needs a new centralized field office and hub for the Valley so field office staff and service providers that CD4 contracts with have the space needed to collaborate and meet with constituents and provide support to the community. One larger-sized office serving the Valley is believed to better reflect the new CD4 and will be the only field office within CD4's boundaries.

TERMS AND CONDITIONS

The five-year lease shall commence upon completion of tenant improvements to the space with two options to extend. The first option for three years and a second option for four years. The rent is approximately \$17,680 per month for 5,703 sf of space and the agreement would include three-months free rent to be taken over the first three years (one month/year).

Parking is not included in the base rent. Although the current council term is up for reelection in 2024, the proposed lease does not include early termination language, which is usually included for elected office leases. The landlord would not agree to this language.

However, this new office space is centrally located within the new CD4 boundaries. A complete set of terms and conditions are outlined on the attached term sheet.

MARKET ANALYSIS

Based on recent market analysis, the price per square foot for similar locations and type of space range from \$2.50 to \$3.75 per square foot. The proposed rate is \$3.10 for base rent. This price reflects a modified gross lease and is within the acceptable range for comparable office space in the area.

Location	Rental Rate	Rentable Square Feet	Lease Type
13729 Ventura Blvd.	\$2.50	2,805	Modified Gross
12925 Riverside Dr.	\$3.00	13,002	Modified Gross
12626 Riverside Dr	\$3.25	3,510	Modified Gross
12650 Riverside Dr.	\$3.50	13,669	Modified Gross
12711 Ventura Blvd.	\$3.75	6,223	Modified Gross
Average Rental rate	\$3.20		

Note: Proposed Base rent of \$3.10 is less than the average rent for comparable office space in the area.

TENANT IMPROVEMENTS

The 5,703 square foot space requires tenant improvements commensurate with modern office space use including adequate ceiling height to improve interior lighting, exposed ductwork, wall and ceiling treatments and security features. The landlord has approved a \$100,000 tenant improvement allowance. The estimated costs for the requested improvements are currently estimated between \$347,528 to \$415,000.

The City would be responsible for all tenant improvement costs over the \$100,000 tenant improvement allowance offered by the Landlord. Some of the soft costs such as building plans, permits and project management fees may require payments arranged to compensate the landlord for construction contracts prior to occupancy. The payment schedule would be achieved by authorizing GSD to monitor and approve the tenant improvement construction in (3) phases during the construction period.

FURNITURE, COMMUNICATION AND MOVING EXPENSE

Estimates by City vendors for installation of private office furniture and chairs for 20 staff total \$30,000. Moving expenses are estimated at \$17,109. The estimate for data premises cabling, phone and alarm systems through the City's ITA is \$100,474 for an estimated total of \$147,583 for all of these expenses.

FISCAL IMPACT

Tenant improvements for the interior space is estimated to be approximately \$415,000 including project management costs. The City would be responsible for the balance of the improvement costs currently estimated at \$315,000.

Rent would total approximately \$17,680 per month, and parking is approximately \$650.00 per month for 13 parking spaces at \$50.00 each. An offset to the leasing account for this fiscal year totals \$64,990 due to the termination of the lease at 15760 Ventura Blvd. Rent abatement for the first year is approximately \$17,680.

The additional expected expenditures in FY 22-23 for this lease and improvement work is \$489,848. GSD will work with the CAO on the upcoming Lease Optimization Report to determine if additional funds are needed in the Citywide Leasing Account to cover these expenses.

	Monthly Proposed Costs	2022-23 Estimated Expense (6mo)	2022-23 Available Funding	2022-23 Estimated Shortage
Rent	\$17,680	\$106,080		
Parking	\$650	\$3,900		
Rent Abatement (1 mo for 1st yr)		(\$17,680)		
Net Tenant Improvements		\$315,000		
Furniture, ITA, Moving Costs		\$147,538		
TOTAL	\$18,330	\$554,838	\$64,990	\$489,848

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 Ventura Ethel Ltd., at 13103 Ventura Boulevard, Studio City, CA 91604 for office space for Council District 4 under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachment: Term Sheet

LEASING TERM SHEET

MFC DATE	10/27/2022
LANDLORD	Ventura Ethel Ltd.
ADDRESS	13107 Ventura Blvd. STE 202, Studio City CA, 91604
TENANT	City of Los Angeles - CD4
ADDRESS	111 East First Street 2nd Floor, Los Angeles CA 90012
LOCATION	13103 Ventura Boulevard, Studio City, Los Angeles, CA 91604
AGREEMENT TYPE	Modified Gross Lease
USE	Office
SQUARE FEET	5,703
TERM	5 years
RENT START DATE	Start date at execution
LEASE START DATE	Upon execution
OPTION TERM	One Three Year extension, One Four-Year Extension per elected status
HOLDOVER	Month-to-Month after lease term expiration
SUBLET/ ASSIGNMENT	Right to Assign - Landlord approval
TERMINATION	No early termination for first Five-Year term.
RENTAL RATE	\$3.10 or approximately \$17, 680 per month
ESCALATION	4% per Year
RENTAL ABATEMENT	Three months rent abatement (one month/yr for the first 3 yrs) (\$17,680 for ea yr)
ADDITIONAL RENT	Yes
PROPERTY TAX	No
OPEX	No
CAM	Yes - Year over Base Cumulative cap

OTHER	13 pkg spaces at \$50 per month/space=\$650/mo. Tenant Improvement costs
SECURITY DEPOSIT	No
MAINTENANCE/ REPAIR	Landlord
MAINTENANCE/ REPAIR DETAILS	Landlord responsible for all building maintenance.
TENANT IMPROVEMENTS	Owner offers \$100,000 for tenant improvements. Tenant must cover all TI's above \$100,000.
PARKING	\$50 per month/space for 13 spaces. Total \$ 650 per month
UTILITIES	Landlord
CUSTODIAL	Landlord
SECURITY	City shall be responsible for security
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE	City shall indemnify and hold harmless Landlord
OTHER:	Landlord will provide 3 months free rent over first three years of the contract. \$17,680 for Year One, \$17,680 for Year Two and \$17,680 for Year Three. Total savings of approximately \$53,000.