

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

March 31, 2022

Matthew W. Szabo, Chair
Municipal Facilities Committee
200 N. Main Street, Suite 1500
Los Angeles, CA 90012

SUMMARY UPDATE ON RELOCATION OF LAPD SOUTH TRAFFIC DIVISION

As requested by the MFC at its February 2022 meeting, the Department of General Services (GSD) is submitting this update on the search for a replacement property for the Los Angeles Police Department (LAPD) South Traffic Division (South Traffic) currently located within the Baldwin Hills Crenshaw Mall at 4125 S. Crenshaw Blvd.

BACKGROUND

Prior to locating 1330 Pico Blvd for South Traffic, there was an exhaustive two-year property search for purchase or lease. The unique requirements for a Police facility include a suitable location in the service area that can accommodate LAPD's logistical needs along with the need for secure parking for a traffic division's vehicle assets.

GSD was asked to review several options to accommodate South Traffic and provide information for this report including:

- Possibility of extending the current lease at 4125 Crenshaw Blvd
- The option of purchasing the property at 1330 Pico Blvd
- Identifying available City-owned properties that could be considered
- Re-evaluating a smaller lease space at the Pico location
- Identifying available properties for sale or lease currently on the market

EXTENSION OF CURRENT LEASE – 4125 CRENSHAW BLVD

The current lease expires on September 30, 2022. On August 20, 2021, the 42- acre Baldwin Crenshaw Mall was sold to the Harridge Development Group. The Mall was acquired for \$111M and the Macy's building for \$30M. The new ownership has



entitlements in place. However, it will take approximately two to three years to obtain approved design permits for a mixed-use development that will include retail and 961 housing units.

Based on the permit approval timeframe, GSD RES contacted the new ownership and requested a two-year extension of the lease with the possibility of an additional one-year option.

The ownership has agreed to this term and negotiations are currently underway regarding the new rental rate. Request for authority for the new lease will be submitted in a subsequent report. This provides the City team with an opportunity to explore several options.

PURCHASE OPTION - 1330 PICO BLVD

As part of the original lease negotiation, GSD secured a commitment for a lease to purchase at the owner's discretion. GSD re-engaged the owner recently about a commitment to sell within three to five years. While the owner is not willing to commit to a sale within a set number of years, they are offering a Right of First Offer (ROFO). A right of first offer is a contractual obligation that allows the leaseholder (CITY), to purchase the property at market value before the owner offers it to someone else or places it on the open market. The owner is not willing to apply any rent paid by the City to offset a future purchase of the property.

CITY-OWNED PROPERTY SEARCH

RES reviewed its current surplus property list within the service area and these would be the only suitable options:

City-owned Property – Lanzit site - 10901 S. Clovis Ave – Economic Workforce Development (EWDD) Jurisdiction

LAPD explored the use of an existing City property located at 10901 S. Clovis Ave (Lanzit Site) in Council District 8. However, this property is raw vacant land and would require extensive work to provide basic infrastructure such as water, sewer, electrical and data/phone network. In addition, this would be a temporary site (five-years), with approximately 27 trailers and approximately 200 parking spaces. The Bureau of Engineering (BOE) provided a comprehensive estimate of \$19M. This included the design, construction, permits and leasing the trailers.

City-owned Property – Marlton Square – 3782-3900 W. Martin Luther King Jr. Blvd – EWDD Jurisdiction

This City-owns eight parcels that have been vacant for a number of years and are currently earmarked to facilitate a larger economic development project at Marlton Square. The proposed project in Council District 10 is expected to include a technology, bioscience or other commercial center that generates jobs and economic development opportunities for the surrounding community. On March 3, 2021, Council designated the

EWDD as the project manager to lead this effort (Council File No. 21- 0259). The EWDD is tasked to release a Request for Proposals in seeking a qualified developer to develop the eight parcels along with other adjacent properties that may be obtained from CRA/LA. The City's goal with this property is to attract new public and private investment, in partnership with the City, and to facilitate a multi-phased development that includes community-serving commercial uses.

1330 PICO BLVD - REDUCTION IN SQUARE FOOTAGE

30k square feet – (or Half of the 2nd floor space)

GSD approached the owner with several alternative options to accommodate South Traffic Division only. The proposal consisted of reducing the square footage from the previously offered 152k sf to approximately 30k sf which is close to what is currently leased at 4125 Crenshaw Blvd. The owner is not open to the option of demising the space since the 60k sf on the 2nd floor only has one access for egress and ingress.

60k square feet – (or the Full 2nd floor space)

The owner is open to leasing the entire 2nd floor. Based on the 60k sq ft occupancy of the entire 2nd floor, the City would have access to 60 free parking spaces and 120 parking spaces for a fee (Caltrans Lot) for a total of 180 spaces. The rent for 60k sf would be \$1.65 psf instead of \$1.55 which was the incentive they were offering to lease the entire building. In addition, the parking would not be enough to fill the vehicle asset need. The owner would be obligated to hold back the remaining parking spaces to accommodate any other potential tenants that would occupy the other portion of the building. In addition, LAPD requests the lease would stipulate the landlord would not allow certain types of businesses to lease the bottom floor of the building.

The tenant improvement costs would be significant even in a reduced square footage option as many of the costly improvements would still be required (i.e. generator, seismic bracing for law enforcement use, holding cells, and communications).

OTHER PROPERTIES TO PURCHASE OR LEASE

Properties for Purchase

GSD recently located a property for sale within the service area located at 1821 S. Broadway. It is close to the freeway and a number of strategically located points of interest in South Traffic's service area. However, staff recently confirmed, per the owner's broker, that the property is now under contract for approximately \$31M. Hypothetically, if the City purchased this property as a viable option, the development costs may include demolition, preparation of the core and shell, infrastructure, and tenant improvements. This could take over two years for entitlements and design permits. Another 15-18 months may then be needed to build due to material and supply chain issues. The tenant improvement estimate would be between \$20- \$26M based on costs developed for 1330 Pico.

A broker is being engaged by GSD to assist in identifying properties for sale that may or may not be on the market yet. Cognizant of the expiration date at the currently leased location, analysis of sites will include consideration of the time needed to improve the site to meet LAPD's needs.

Properties for Lease

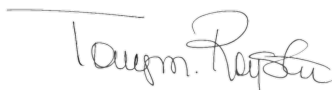
A recent property search was conducted to find suitable properties for lease for South Traffic and their required parking. The information below does not include a TI allowance which would be a negotiated element if a site was selected. None of these seven properties listed below fit the criteria. They either do not have sufficient parking, are offering a term that would not allow the City to amortize the tenant improvement costs or are outside the service area. The contracted broker, that GSD will utilize to look for properties for sale, will also be requested to identify properties for lease.

PROPERTY LOCATION	PRICE/SF	TOTAL SF	LEASE TERM	PARKING
1208 Stanford Ave	\$1.00	22k	Negotiable	24
801 E. 7 th Street	\$1.22	23k	1 year	77 Free
3251 W. 6 th Street	\$2.50	49k	5 years	90
537 S, Broadway	\$2.25 -\$2.65	33k	1-5 years	Unlisted
600 St. Paul Ave	\$2.50	41k	Negotiable	100 tandem
2120-2140 E. 7 th Place	\$3.75	23k	10 years	Unlisted
2706 Wilshire Blvd	\$1.50	40k	3 years	75

RECOMMENDATION

It is recommended that:

- GSD continue negotiations with the new owner of the Baldwin Hills Mall to extend the current lease for two years with a one year option.
- GSD proceed with plans to engage the services of a commercial broker to identify properties for sale or lease to support the operational needs of South Traffic Division of the Los Angeles Police Department;
- The Department of General Services report back to the Municipal Facilities Committee when a potential site for sale or lease is identified;
- The Municipal Facilities Committee provide direction to the Department of General Services regarding other action items or options to pursue in this matter.



Tony M. Royster
General Manager