

CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE

Agenda Item No. 6

Date: March 31, 2022

To: Municipal Facilities Committee

From: Barbara Romero  
Director and General Manager  
LA Sanitation and Environment



Subject: **STATUS REPORT REGARDING ANALYSIS ON COMPARABLE COMMERCIAL SPACE PROPERTIES FOR SALE AND LEASE NEAR THE CLEAN WATER CAMPUS PROJECT, COST ESTIMATES ASSOCIATED WITH IMPROVEMENTS NEEDED ON AVAILABLE PROPERTIES FOR SALE TO MEET CLEAN WATER CAMPUS PROGRAMMATIC REQUIREMENTS, ANALYSIS ON THE EXISTING LEASE AT MEDIA CENTER, AND ANALYSIS OF THE SCM FUND RELATED TO THE CLEAN WATER CAMPUS PROJECT.**

*Note: Numbers shown in this report related to parking and facility (square footage) needs are based on existing Clean Water Campus Programmatic Requirements in the absence of an official City Telecommuting Policy. Upon receipt of an official Telecommuting Policy, a subsequent report with updated numbers for tenant improvement costs would be submitted.*

LASAN is providing this report on the status of the above-referenced matter, and specifically is communicating the cost estimates of available properties for sale and lease near the Clean Water Campus (CWC) Project located at 303 N. San Fernando Road, Los Angeles.

The purpose of providing cost estimates of available properties for sale and lease, and cost estimates associated with any improvements needed on the available properties is for the City Council to compare the total costs of purchasing alternative commercial space properties to the total cost of the proposed CWC Project.

### **Recommendations**

1. CONTINUE negotiations with Goodwill Industry Inc. (Goodwill) for the purchase of their real property located in the 300 block of North San Fernando Road in the City of Los Angeles with Assessor's Parcel Number 5447-007-009, consisting of approximately 42,500 square feet of land for the Clean Water Campus (CWC)
2. CONSIDER costs estimates associated with improvements needed on available properties to meet Clean Water Campus Programmatic Requirements. Please note that if an available property is purchased, a new CEQA clearance will be required.
3. INSTRUCT LASAN to either enter into negotiations for the purchase of one of the available properties listed in this report as an alternative to the Clean Water Campus

Project, or MOVE forward with the proposed Clean Water Campus Project located at 303 N. San Fernando Road, Los Angeles, or EXPLORE more options while Citywide telework policy is being finalized.

4. APPROVE the renewal of the Media Center lease for an additional 3 years with an additional 3 years extension option to accommodate LASAN personnel.

## **Summary**

This report will focus on cost estimates of available properties for sale and lease that could serve as potential alternatives to the CWC Project. Additionally, this report will provide an analysis on the City's existing lease at Media Center and on the SCM fund for the CWC Project.

## **Background**

Since 2002, LASAN has leased the privately owned, 64,820 square foot facility at 2714 Media Center Drive in Los Angeles (Media Center). Following analysis of several options, in December 2015, LASAN initiated work to develop a new headquarters, referred to as the CWC Building, at the City Site.

The City Site was selected due to freeway access for the field inspector staff, proximity to City staff downtown, proximity to public transportation, ease of access to existing LASAN operated and maintained odor-control carbon scrubber located on the Humboldt Site vital to sewer operations and need for a build-to-suit facility to accommodate the specialized LASAN services. The City Site is in a largely industrial area that has remained undeveloped because of its irregular shape, set back requirements from the existing rail line, and the presence of a major drop structure and the permanent odor control scrubber. Using this site to deliver the new CWC Building is expected to provide public support services, advance corridor redevelopment, and subsequently have broader economic growth benefits as determined by LASAN's consultant team.

LASAN's technical consultant, Arcadis, performed a workplace relocation strategy and site study which concluded that: (i) LASAN has a projected staffing requirement of approximately 500 staff that require space, technology, and facilities such as laboratories not currently available at the Media Center; (ii) the CWC Building would need to be approximately 160,000 square feet to accommodate LASAN's requirements; and (iii) the City Site can accommodate the CWC Building, but parking is constrained to approximately 300 of the required 540 parking stalls due to the unusual site layout, existing drop structure, and existing surface scrubber. LASAN's financial consultant, Project Finance Advisory, Ltd., performed quantitative and qualitative analysis which concluded that a public private partnership (P3) delivery of the CWC Building would provide benefits including cost savings to LASAN compared to a traditional delivery approach. Benefits of a P3 approach included:

- earliest completion;
- sustainable design in a purpose-built facility;
- construction cost certainty;
- long-term operating efficiency;

- performance based payments; and
- risk transfer to protect the City.

On March 12, 2018, the City received an unsolicited offer from the Development Team. The contemplated delivery model and exclusive negotiation was expected to expedite delivery of the CWC Building, meet parking needs, and partner with a local stakeholder to develop a unified community plan.

Due to the shared interest of creating additional parking and fostering community revitalization, the City Council passed a motion on June 13, 2018, directing LASAN to explore a partnership with Goodwill to deliver a joint project (CF #18-0555).

On April 17, 2019, Council directed LASAN to form a Clean Water Campus Working Group (CWC Working Group) comprised of LASAN, CAO, CLA, Mayor's Office, and Council District 1 to develop a non-binding term sheet with Goodwill and evaluate parking options.

Initial discussions and design charrettes found the City Site had insufficient capacity to accommodate all the parking needs of LASAN, Goodwill, and any potential additional parking.

LASAN performed extensive analysis of different alternatives, and ultimately determined that the only method to achieve the full facility and parking needs for LASAN on a cost-effective basis, retain optionality to provide additional parking, and to deliver a comprehensive community development plan is by utilizing both the City Site and Goodwill Site.

In June 2021, City Council authorized LASAN and other City departments to negotiate and execute a Purchase Sale Agreement (PSA) with Goodwill for the Goodwill Site, execute a License Agreement with Goodwill for 148 parking spaces, and to enter in to an exclusive negotiation with the Development Team as a condition of the PSA for a period of up to 12 months to determine if mutually agreeable terms can be reached on the design, construction, potential financing, operations and maintenance of the proposed CWC Building under a performance-based contract.

In June 2021, the Municipal Facilities Committee (MFC) was presented with parking development options to accommodate the CWC, and additional parking for adjacent developments. Due to the rising cost of construction, and potential decreasing costs for commercial properties, the MFC requested LASAN to work with GSD to investigate the purchase and development of other properties in the area.

**Analysis of Comparable Commercial Space Properties**

On November 10, 2021, the General Services Department (GSD), provided LASAN with a Market Review Report of available properties for sale and for lease **located within 10 miles** of the proposed Clean Water Campus project at 303 N. San Fernando Road, Los Angeles 90031.

The research of properties **for sale** was limited to the following criteria:

- Built or renovated after 1980.
- Building size ranging from 75,000 square feet to 300,000 square feet.
- Includes space for onsite parking development

The research of properties **for lease** was limited to the following criteria:

- Office use or similar building use
- Rentable building area ranging from 50,000 square feet to 200,000 square feet.

The resulting search identified four (4) properties for sale and seven (7) properties for lease. The cost estimates for the properties for sale and lease near the CWC Project are summarized in Tables 1 and 2 respectively.

**Table 1: Available Properties for Sale**

#	Property Address	CD	Building Square Footage	Parking Spaces	Price	Distance from CWC Site	Staff Recommendation
1	1910 W. Sunset Blvd., Los Angeles, CA 90026	13	97,002	215	\$47,500,000	3.3 miles	Not a Feasible Option
2	815 Colorado Blvd., Los Angeles, CA 90041	14	83,904	315	\$23,500,000	6.2 miles	Needs further evaluation
3	120 S. San Pedro St., Los Angeles, CA 90012	14	79,241	60	\$26,500,000	2.7 miles	Not a Feasible Option
4	2975 Wilshire Blvd., Los Angeles, CA 90010	10	115,452	163	\$36,000,000	5.8 miles	Needs further evaluation

**Table 2: Available Properties for Lease**

#	Property Address	CD	Building Square Footage	Parking Spaces	Price per sq.ft./year	Price Per Year	Distance from CWC Site	Staff Recommendation
1	420 E. 3 <sup>rd</sup> Street, Los Angeles, CA 90013	14	116,152	374	\$35.40	\$4,111,781	3.0 miles	Lease no longer available
2	2100 W. 3 <sup>rd</sup> St., Los Angeles, CA 90057	1	147,078	361	\$34.20	\$5,030,068	4.3 miles	Lease no longer available
3	345 Figueroa St., Los Angeles, CA 90071	14	53,967	200	\$35.40	\$1,910,432	3.6 miles	Lease no longer available
4	1400 S. Grand Ave., Los Angeles, CA 90015	14	77,946	265	\$47.40	\$3,694,640	4.9 miles	Lease no longer available
5	120 S. San Pedro St., Los Angeles, CA 90012	14	79,241	60	\$45.00	\$3,565,845	2.7 miles	Needs further evaluation
6	5000 W. Sunset Blvd., Los Angeles, CA 90027	13	60,741	50	\$42.00	\$2,551,122	7.0 miles	Lease no longer available
7	1122 W. Washington Blvd., Los Angeles, CA 90015	1	55,000	140	\$42.00	\$2,310,000	5.8 miles	Lease no longer available

**Eliminated Properties for Lease and Sale**

On December 2, 2021, LASAN in coordination with the Bureau of Engineering (BOE), reviewed the list of properties for sale and for lease to determine whether these alternative properties could accommodate LASAN’s staffing, facility, and parking needs.

According to GSD two (2) properties for sale were eliminated from consideration as potential alternatives since as of January 25, 2022, the properties were in escrow to be sold (items 1 and 3 of Table 1).

A total of six (6) properties (items 1, 2, 3, 4, 5, 7 from Table 2) for lease were eliminated from consideration as potential alternatives to the CWC Facility since they required significant modification due to the size of the building and number of their available parking

spaces. These properties for lease were also occupied by tenants that had long-term leases and GSD reported on December 9, 2021, that based on negotiations with the property's respective landlords, completely vacating these buildings was not feasible.

**Available Properties for Sale**

Two (2) properties were considered as potential alternatives for the CWC Facility. LASAN in coordination with GSD and BOE obtained detailed As-Builts, floor plan layouts, and drawings of each property and conducted onsite investigations to determine depth of renovations that were needed for each property to fit the existing CWC programmatic requirements

Proposed Clean Water Campus programmatic requirements at 303 N. San Fernando Road:

- A 160,000 square foot structure
- Office space for up to approximately 480 LASAN employees.
- Minimum of 540 parking spaces (above-grade, at grade, and below-grade)

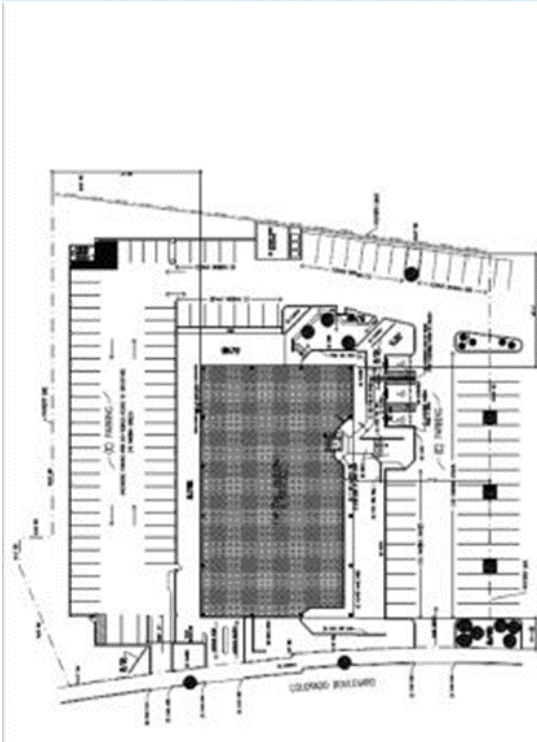
Table 3 below summarizes the cost to purchase each property in addition to the total cost of each property including renovations needed to meet LASAN staffing, facility, and parking needs.

**Table 3: Available Properties for Sale**

#	Property Address	CD	Building Square Footage	Parking Spaces	Price	Distance to Freeway	Opinion of Total Cost (including TI, purchase, design & permitting renovations)	Schedule for completion of tenant improvement (months)
1	815 Colorado Blvd., Los Angeles, CA 90041	14	83,904	315	\$23,500,000	1.0 miles	\$139,435,000*	46
2	2975 Wilshire Blvd., Los Angeles, CA 90010	10	115,452	163	\$36,000,000	2.0 miles	\$208,617,000*	52

**NOTE - For the purpose of comparison in addition to the cost of purchase the Total Opinion of Cost includes constructing additional office and parking spaces to meet CWC programmatic requirements.**

## 1. 815 Colorado Blvd., Los Angeles, CA 90041 (CD 14)



### Building Systems Analysis

Since this building was built in the 2000s it is in a relatively good condition and needs some minimal upgrades and changes.

- Some of the renovations consist of but are not limited to the following:
  - i. Plumbing Upgrade
  - ii. ADA accessibility
  - iii. Departmental specific requirements
  - iv. Fire Suppression Upgrade - Dry type suppression system for the IT room
  - v. Existing Subterranean Parking Upgrade and Waterproofing
  - vi. Expansion to meet CWC Programmatic Requirement:
    1. Parking:
      - a. Adding an approximately 225 parking spaces within the available footprint of the at grade parking.

- b. 350 sf. per space x 225 spaces = 78,000 sqft.
    - c. Approximately 4 floors of parking
    - d. New parking structure could also serve as a podium for any additional office space needed above
  - 2. Office Building
    - a. Constructing an additional 80,000 sqft of office space
    - b. Additional Office space will have 4 stories that could be constructed on top of the new parking structure.
- Phasing: Due to the condition of the building and its systems, it provides flexibility for a phased project delivery approach.
  - i. Option 1: Move into the entire building, while concurrently building the new parking structure and additional office space. This option may reduce the costs as noted in the attachment, as it would negate the need to replace finishes throughout the building, before relocation, while also reducing the lease costs associated with the current Media Center Lease.
  - ii. Option 2: Relocate staff into ½ of the building (40k square feet), while concurrently constructing tenant improvements in the remaining ½. Design and construction of the additional parking and additional office structure would also move forward concurrently.
- Project Challenges: This site will require a Zoning Variance to accommodate a revision of the updated zoning ordinance. Recent revisions to the Zoning code limits new construction to a maximum of 2-stories and 30-ft in height. Efforts to obtain approval may be done concurrently with the design phase but may add some time to the Design phase.

**2. 2975 Wilshire Blvd., Los Angeles, CA 90010 (CD 10)**







## Building Systems Analysis

Since this building was built in the 1960s it is in a moderate to poor condition and needs some significant upgrades and changes.

- Some renovations consist of but are not limited to the following:
  - i. HVAC: Significant upgrade to meet current energy efficiency standards.
  - ii. Plumbing: Upgrades
  - iii. Architectural
    1. Architectural finishes
    2. Restrooms will require upgrades for ADA accessibility requirements.
    3. Department specific requirements.
  - iv. Vertical Circulation: Elevator, controllers, and hoist way equipment replaced.
  - v. Stairs meet current building code standards for emergency egress, but lack space for an “area of refuge” for disabled patrons.
  - vi. Fire Suppression: Building to be fully sprinklered. An inert gas suppression system for the data room.
  - vii. Parking: Height of the structure cannot support the LASAN heavy trucks and additional floors cannot be added to accommodate additional parking.
  - viii. Expansion to meet CWC Programmatic requirements:
    1. Parking: The existing parking structure would need to be demolished and reconstructed to meet the program requirements.
      - a. 350 sq ft. per space x 540 spaces = 189,000 sqft.
      - b. Approximately a 9 floor parking structure would be required
    2. Office Building: Requires construction of approximately 45,000 sqft. to accommodate the CWC program.
      - a. Office building footprint is approximately 21,000 sqft., which requires the construction of approximately 2.5 stories.

- **Project Challenges:** The site challenges for this site center around its downtown adjacent location. The parking structure site is surrounded by structures on three sides and will require shoring to ensure the foundations to adjacent structures aren't impacted. Due to the site's location, limited available space exists to accommodate staging and mobilization of equipment.

## **Further Exploration**

LASAN will continue to explore more locations including areas near the Public Works Building (1149 S Broadway, Los Angeles, CA 90015) and areas with convenient access to freeways and public transportation. It is important to note that the number of parking spaces and office space requirements may change depending on the City's long term telework policy.

## **Analysis of Existing Lease at Media Center**

As of January 6, 2022, GSD stated that LASAN is up to date on lease payments and there are no legal issues. For the term of May 1, 2021 to April 30, 2022 the total cost of leasing Media Center is approximately \$1.73M annually and the cost for the last year of the lease (May 1, 2022 to April 30, 2023) is approximately \$1.76M annually. The Media Center Lease expires on April 30, 2023. LASAN intends to extend the lease at Media Center beyond April 2023 to house LASAN staff until a permanent office building is identified.

## **Analysis of SCM Fund Related to CWC Project**

LASAN in coordination with the City Administrative Officer's (CAO) debt and budget group have analyzed the SCM Fund related to the CWC project. According to the CAO's office, due to the many uncertainties that may impact the SCM fund within the next several years and the lack of financial savings with a Private Public Partnership (P3), they recommend further study of the SCM Fund is needed before a determination on the status of CWC construction can be made.

## **Status of Negotiation with Goodwill**

In January 2022 LASAN proposed to the Goodwill Industries if they would consider decoupling the sale of their property from the development of the CWC as they had originally requested as part of the initial draft purchase-sale agreement. On March 18, 2022 the Goodwill Industries responded that their board had deferred this request to their real estate committee and the real estate committee has decided to evaluate all of the options available to them before committing to sell the property to the City.

## **Attachment(s):**

Attachment 1: GSD Memo

Attachment 2: BOE Preliminary Cost Estimate

Attachment 3: BOE Preliminary Schedule

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

**DATE:** November 10, 2021

**TO:** Lenise Marrero, Senior Civil Engineer  
Department of Public Works  
Bureau of Sanitation

**FROM:** Kenneth Stanberry, Assistant Director  
Department of General Services  
Real Estate Services Division



**SUBJECT: MARKET REVIEW REPORT OF AVAILABLE PROPERTIES FOR CLEAN WATER CAMPUS PROJECT LOCATED WITHIN TEN MILES OF 303 N. SAN FERNANDO ROAD, LOS ANGELES, 90031 – APNS: 5447-007-009 & 5447-007-901, CD1**

As requested, a market review report for available properties for sale and lease near the Clean Water Campus Project (CWC) located at 303 N. San Fernando Road, Los Angeles has been performed. The proposed CWC building is 169,000 square feet.

The research for properties available for sale is limited to the following criteria: built or renovated after 1980; located within a ten-mile radius; located within Council Districts and with a building size ranging from 75,000 square feet to 300,000 square feet. The resulting search identified four properties constructed and/or renovated between 1979 to 2001. The price per square foot range for these properties ranges between \$280 per square foot for a building renovated in 1982 to \$489 per square foot for a building renovated in 1991.

Property Address	APN	Council District	Building Square Footage (RBA)	Parking Spaces	Price	Distance from CWC Site
<b>1910 W. Sunset Blvd, Los Angeles, CA 90026</b>	5404-001-036, 5404-001-040	CD13	97,002 SF	215	\$47,500,000	3.3 Miles
<b>815 Colorado Blvd, Los Angeles, CA 90041</b>	5709-002-013	CD14	83,904 SF	315	\$23,500,000	6.2 Miles
<b>120 S. San Pedro St., Los Angeles, CA 90012</b>	5161-017-029	CD14	79,241 SF	60	\$26,500,000	2.7 Miles

<b>2975 Wilshire Blvd, Los Angeles, CA 90010</b>	5077-007-020	CD10	115,452	163	\$36,000,000	5.8 Miles
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The research for available lease properties is limited to the following criteria: located within a ten-mile radius; located within Council Districts; office or flex type of property; and rentable building area ranging from 50,000 square feet to 200,000 square feet. The resulting search identified six properties, and the data for price per square foot showed a range from \$34 per square foot to \$47 per square foot per year.

<b>Property Address</b>	<b>APN</b>	<b>Council District</b>	<b>Building Square Footage</b>	<b>Parking Spaces</b>	<b>Price per SqFt/YR</b>	<b>Distance from CWC site</b>
<b>420 E. 3<sup>rd</sup> St. Los Angeles, CA 90013</b>	5147-006-011	CD14	116,152	374	\$35.40	3.0 Miles
<b>2100 W. 3<sup>rd</sup> St. Los Angeles, CA 90057</b>	5154-030-034	CD1	147,078	361	\$34.20	4.3 Miles
<b>345 Figueroa St., Los Angeles, CA 90071</b>	5151-011-036	CD14	53,967	200	\$35.40	3.6 Miles
<b>1400 S. Grand Ave, Los Angeles, CA 90015</b>	5134-020-023	CD14	77,946	265	\$47.40	4.9 Miles
<b>120 S. San Pedro St., Los Angeles, CA 90012</b>	5161-017-029	CD14	79,241	60	\$45.00	2.7 Miles
<b>5000 W. Sunset Blvd, Los Angeles, CA 90027</b>	5543-024-022	CD13	60,741	50	\$42.00	7.0 Miles
<b>1122 W. Washington Blvd, Los Angeles, CA 90015</b>	5135-014-046	CD1	55,000	140	\$42.00	5.8 Miles

Should you need additional information, please contact Doug Kim, Real Estate Officer at (213) 949-7781 or by email at [doug.kim@lacity.org](mailto:doug.kim@lacity.org).

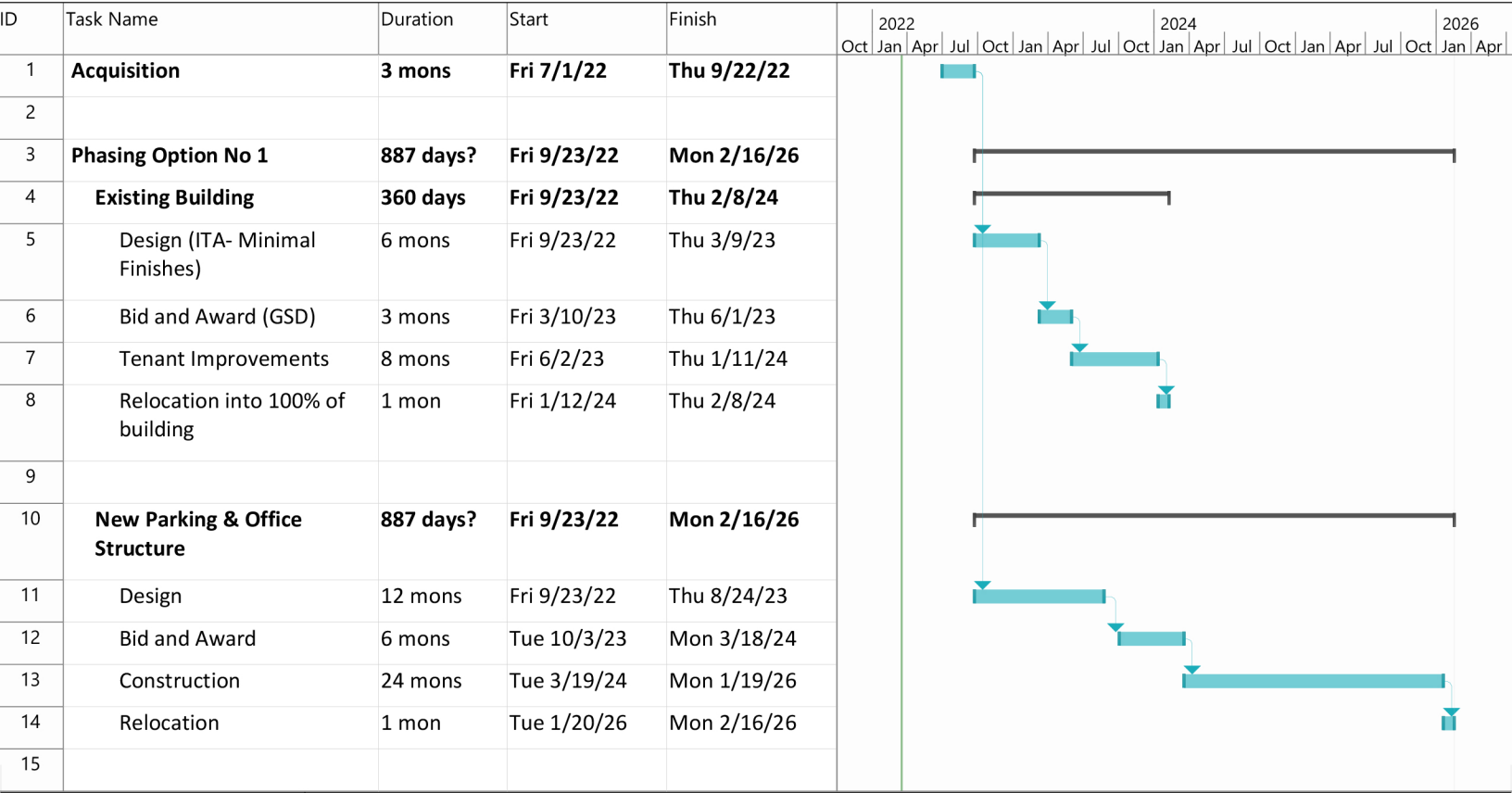
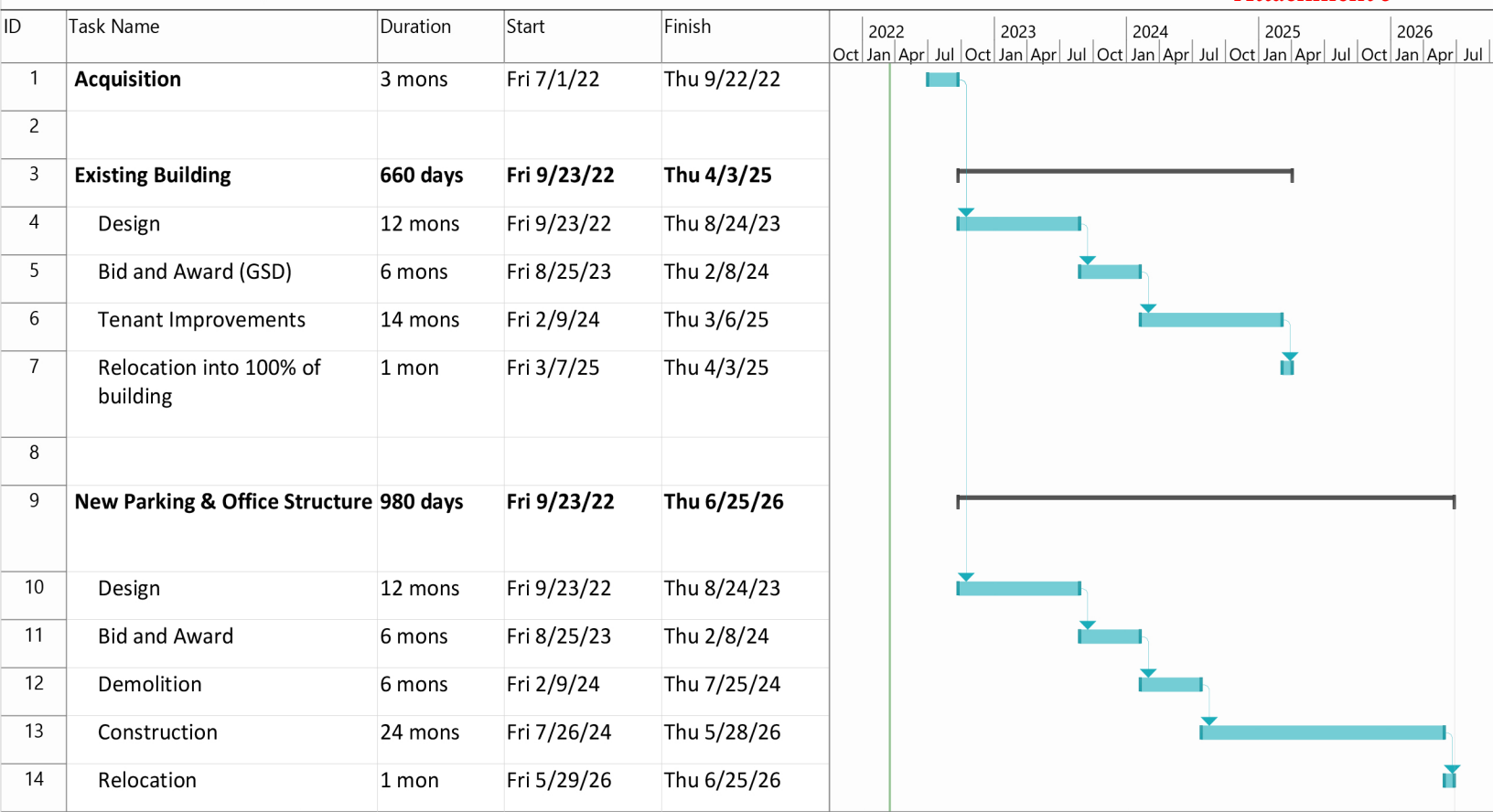
Attachments: Sale and Rental Comparables

**815 Colorado Blvd, Los Angeles, CA 90041**

<b>Overall Summary</b>	<b>Gross Floor Area</b>	<b>Unit Cost \$/SF</b>	<b>Total (\$x1,000)</b>
Demolition (Asphalt Parking Lot, Rough Grading)	20,000 SF	25.00	500
Addition - Office Building	80,000 SF	500.00	40,000
Addition - Above Grade Parking	98,000 SF	180.00	17,640
Existing - Tenant Improvement	83,904 SF	160.00	13,425
<b>Total Building Construction</b>	<b>Mar-22</b>		<b>71,565</b>
General Contractor (Overhead and Profit, Mobilization, General Conditions)		16.00%	11,450
Escalation to Midpoint (June 2025) at 5% x 3 Years		15.00%	10,735
Design Contingency		20.00%	14,313
<b>Estimated Construction Cost</b>	<b>Jun-25</b>		<b>108,063</b>
Soft Costs (Design, Permitting, Inspection)			7,872
Property Purchase Price			23,500
<b>Total Project Cost</b>			<b>139,435</b>

**2975 Wilshire Blvd, Los Angeles, CA 90010**

<b>Overall Summary</b>	<b>Gross Floor Area</b>	<b>Unit Cost \$/SF</b>	<b>Total (\$x1,000)</b>
Demolition of the existing 3 story parking structure	63,000 SF	75.00	4,725
Addition - Office Building	45,000 SF	592.28	26,653
Addition - Above Grade Parking (540 Spaces)	189,000 SF	214.50	40,540
Existing - Tenant Improvement	115,452 SF	300.00	34,636
<b>Total Building Construction</b>	<b>Mar-22</b>		<b>106,554</b>
General Contractor (Overhead and Profit, Mobilization, General Conditions)		16.00%	17,049
Escalation to Midpoint (June 2025) at 5% x 3 Years		15.00%	15,983
Design Contingency		20.00%	21,311
<b>Estimated Construction Cost</b>	<b>Jun-25</b>		<b>160,896</b>
Soft Costs (Design, Permitting, Inspection)			11,721
Property Purchase Price			36,000
<b>Total Project Cost</b>			<b>208,617</b>
* PM Note: The cost per square foot for construction is increased for this option due to the site constraints and limited space for contractor mobilization			



Task		Inactive Summary		External Tasks	
Split		Manual Task		External Milestone	
Milestone		Duration-only		Deadline	
Summary		Manual Summary Rollup		Progress	
Project Summary		Manual Summary		Manual Progress	
Inactive Task		Start-only			
Inactive Milestone		Finish-only			