

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 3

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June 29, 2023

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 305, City Hall
Los Angeles, CA. 90012

Attention: Mandy Morales, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A LEASE AGREEMENT FOR
CIVIL + HUMAN RIGHTS AND EQUITY DEPARTMENT (CHRED)
AT 250 E. 1st STREET OR 207 E. BROADWAY, LOS ANGELES, CA 90012**

The Department of General Services (GSD) requests the Municipal Facilities Committee (MFC) review the two options and provide direction and authority to negotiate and execute a lease agreement for Civil + Human Rights and Equity Department (CHRED) as “Lessee” for one of two possible sites. The first option is located at 250 E. 1st Street (Kajima), and the other option is located at 207 E. Broadway (Broadway), Los Angeles, CA 90012. Both are in Council District 14 (CD14) with close proximity to City Hall. Based on overall costs and ongoing discussions, CHRED prefers the Kajima location.

BACKGROUND

On July 7, 2022, City Council adopted a motion (CF:21-0702-S2) directing GSD to evaluate workspace within the LA Mall. With the assistance of the Bureau of Engineering (BOE), GSD explored possible reuse and rehabilitation of the former CVS space. The project estimated costs to revitalize the former CVS space was approximately \$9.75M. Based on these cost estimates, MFC instructed GSD to explore possible lease office space within a one-mile radius of the Civic Center area, as it may be more cost effective to find leased space rather than to renovate the former CVS space.

GSD toured and explored several locations for lease with CHRED and BOE. CHRED, under the guidance of BOE and GSD, selected two option sites based on asking rents and space plans. GSD engaged the Landlords’ brokers on non-binding offers based on CHRED’s needs.

TERMS AND CONDITIONS

Comparatively, the annual base rent commitments for the two sites are approximately \$176,280 for Kajima and \$257,040 for Broadway.



For the Kajima building, the term is 63 months with one, five-year option to extend. On the other hand, 207 Broadway is offering a 60-month term with one, 5-year option to extend.

For each site, the tenant improvements will be performed by the respective Landlord at their costs. A set of terms and conditions are outlined on the attached term sheets.

MARKET ANALYSIS

The price per square foot (sf) current market analysis for this type of space ranges from \$2.55 to \$3.50 per sf. The per sf cost for the preferred lease at Kajima is approximately \$2.60 per sf. This is comparable to the \$2.55 per sf for the Broadway building.

Location	Rental Rate (PSF)	Rentable Square Feet	Lease Type
207 E. Broadway (Broadway)	\$2.55	8,400 RSF	Full Service Gross w/ Base Year
356-274 E. 2nd	\$3.50	8,149 RSF	Full Service Gross w/ Base Year
312 E. 2nd St.	\$3.25	6,920 RSF	Full Service Gross w/ Base Year
250 E. 1st St. (Kajima)	\$2.60	5,650 RSF	Full Service Gross
145 S. Spring St.	\$2.85	13,381 RSF	Full Service Gross w/ Base Year
Average Rental Rate	\$2.98		

TENANT IMPROVEMENTS/ LANDLORD'S WORK

Between the two sites, (Kajima and Broadway), the Kajima site at 250 E. 1st Street would require minimal tenant improvement work. Both landlords agreed to perform the work at no additional cost to the City under the initial term lease, which is 60 months for Broadway and 63 months for Kajima. BOE will assist in coordinating the tenant improvement project with the Landlord. The scope of work for the tenant improvements would be the following:

207 E. Broadway (Broadway): Scope of work would include partial interior demolition/build-out for ADA code compliance, creation of a secured lobby/copy area, infrastructure for electrical/ITA scope and key card readers, and flooring/wall finish updates.

250 E. 1st Street (Kajima): Scope of work would include partial interior demolition/build-out for ADA code compliance, creation of a dividing wall between public rooms and main office space, infrastructure for electrical/ITA scope and key card readers, and flooring/wall finish updates.

Costs for the requested improvements are estimated to be between \$200,000 (Kajima) to \$600,000 (207 Broadway). Further analysis is provided below from BOE: (Note that lease costs do not include rent abatement)

Location	Rentable Square Feet	Landlord One-time Estimated Improvement Costs	City Estimated One-time Costs	Average Annual Lease Costs (subject to 3% to 4% annual increase)	Approximate Total Costs (15-year projection) ⁶
207 E. Broadway (Broadway)	8,400 RSF	\$600,000 ¹	\$1,025,000 ³	\$234,432	\$5,600,000
250 E. 1st St. (Kajima)	Approx 6,000 RSF	\$200,000 ²	\$800,000 ⁴	\$176,280	\$4,200,000 ⁷
LA Mall Space 4 (former CVS)	11,500 RSF	N/A	\$9,750,000 ⁵	N/A	\$9,750,000 ⁵

1. \$500,000 costs includes partial interior demolition/build-out for ADA code compliance, creation of a secured lobby/copy area, infrastructure for electrical/ITA scope and key card readers, and flooring/wall finish updates.
2. \$200,000 costs includes partial interior demolition/build-out for ADA code compliance, creation of a dividing wall between public rooms and main office space, infrastructure for electrical/ITA scope and key card readers, and flooring/wall finish updates.
3. \$1,025,000 costs includes furniture for 34 to 36, ITA costs for data premise cabling, phone and alarm systems, key card readers, BOE project management and construction administration.
4. \$800,000 cost includes furniture for 26 staff, ITA costs for data premise cabling, phone and alarm systems, key card readers, BOE project management and construction administration.
5. \$9,750,000 costs includes interior demolition, full build-out of new systems including lighting, electrical, mechanical, plumbing, fire-life safety systems, flooring, ceiling, wall finishes for: communication room, conference room, storage rooms, break room, (2) restrooms, (4) offices, (3) counseling and mediation rooms, secured lobby, furniture for 38 to 47 staff, ITA costs for data premise cabling, phone and alarm systems, key card readers, BOE project management and construction administration, design consultant fees, other fees such as agency plan check/clearances, permitting, inspection, and public art fees.
6. Estimated timeline for the new Civic Center Building requires confirmation from the Economic and Workforce Development Department (EWDD).
7. Cost does not include expansion to another lease space which may be required in the next 5 years based on CHRED's projected growth.

FURNITURE, COMMUNICATION AND MOVING EXPENSE

Estimates by City vendors at these sites for installation of private office furniture and chairs for approximately 26 - 36 staff totals range from \$250,000 - \$300,000. Furthermore, CHRED may utilize unused workstations and furniture as available from other projects. Other miscellaneous costs such as ITA costs for data premise cabling, phone and alarm systems, and key card readers are estimated to be approximately \$800,000-\$1,025,000.

FISCAL IMPACT

For the preferred option at the Kajima building, the General Fund impact is estimated at \$539,210 for Fiscal Year 2024. This includes rent of approximately \$14,690.00 per month. Parking is estimated at \$150-\$200 per space (for up to 15 spaces), maximum monthly cost is estimated at \$3,000 or \$36,000 annually, and one-time tenant improvement costs of approximately \$800,000.

The total impact to the General Fund over the initial 63-month period is estimated to be between \$959,210 to \$1,216,432.

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.

Kajima Building Option

	Monthly Proposed Costs	2023-24 Estimated Expense	2023-24 Available Funding	2023-24 Estimated Shortage
Rent (9 months)	\$14,690	\$132,210		
Parking (Estimated 9 months)	\$3,000	\$27,000		
Tenant Improvement (One-time cost)		\$800,000		
TOTAL	\$17,690	\$959,210	\$420,000	\$(539,210)

Broadway Building Option

	Monthly Proposed Costs	2023-24 Estimated Expense	2023-24 Available Funding	2023-24 Estimated Shortage
Rent (9 months)	\$19,536	\$175,824		
Parking (Estimated 9 months)	\$3,000	\$27,000		
Tenant Improvement (One-time cost)		\$1,025,000		
TOTAL	\$22,536	\$1,227,824	\$420,000	\$(807,824)

RECOMMENDATION

Authorize the Department of General Services, subject to the approval of the Mayor, to negotiate and execute a lease with Kajima Development Corporation at 250 E. 1st Street Los Angeles, CA 90012 under the terms and conditions substantially outlined in this request.



Tony M. Royster
General Manager

Attachment: Kajima Term Sheet

LEASING TERM SHEET

MFC DATE	06/29/23
LANDLORD	Kajima Development Corproation
ADDRESS	250 E. 1st Street Los Angeles, CA 90012
TENANT	City of Los Angeles - GSD
ADDRESS	111 East First Street 2nd Floor Los Angeles, CA
LOCATION	250 E. 1st Street Los Angeles, CA 90012
AGREEMENT TYPE	Lease Agreement
USE	Office
SQUARE FEET	Approximately 5,650 Rentable Square Feet
TERM	63 months
RENT START DATE	Upon Substantial Completion of the Tenant Improvements
LEASE START DATE	Upon City Clerk's Attestation
OPTION TERM	1 5-Year Options to Extend
HOLDOVER	150%
SUBLET/ ASSIGNMENT	Tenant may license to other City department without Landlord's consent
TERMINATION	None
RENTAL RATE	\$14,690.00/month
ESCALATION	3%
RENTAL ABATEMENT	Up to Three Months - approximately up to \$44,070.00
ADDITIONAL RENT	None
PROPERTY TAX	None
OPEX	None
CAM	None

OTHER	None
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Landlord responsibility for all items that are considered major building systems <input type="checkbox"/> <input type="text"/>
MAINTENANCE/ REPAIR DETAILS	Landlord shall maintain major Building Systems.
TENANT IMPROVEMENTS	Landlord shall perform all Tenant Improvements. to be further defined in the Lease.
PARKING	3:1,000 SF - up to 15 spaces at \$150 per space per month
UTILITIES	Landlord shall provide all utilities except Internet
CUSTODIAL	Landlord shall provide all custodial services
SECURITY	Landlord shall provide security for the Building
PROP 13 PROTECTION	Other <input type="text"/> None <input type="text"/>
INSURANCE	Landlord shall indemnify and hold harmless the City
OTHER:	<input type="text"/>