

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



KAREN BASS
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

November 16, 2023

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

Attention: Mandy Morales, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A LICENSE
AGREEMENT WITH INDUSTRIOUS LA 444 SOUTH FLOWER ST, LLC FOR
TEMPORARY OFFICE SPACE AT 444 S. FLOWER ST., LOS ANGELES, CA 90071**

The Department of General Services (GSD) requests authorization to negotiate and execute a license agreement with Industrious LA 444 South Flower St., LLC (Industrious), located at 444 South Flower Street, Los Angeles, CA 90071, for 300 co-working seats as temporary office space for the five City departments currently located at 1200 West 7th Street (Garland Building).

Additionally, GSD requests authority to negotiate and execute a license agreement for available parking spaces on site with the building's parking management company, ABM Industries.

BACKGROUND

Five City departments (over 1,200 employees in total) currently occupy approximately 228,539 square feet (SF) of office space at 1200 West 7th Street (Garland Building):

- Los Angeles Housing Department (LAHD): 672 Employees
- Office of Finance (OOF): 232 Employees
- Economic Workforce Development Department (EWDD): 178 Employees
- Community Investment For Families Department (CIFD): 114 Employees
- Youth Development Department (YDD): 34 Employees

During the past year, GSD's Real Estate Services (RES) team has been engaged with the five departments to relocate to a new office space as part of the ongoing Garland Relocation Project.

Since the lease at the Garland Building ends February 29, 2024, GSD engaged a broker, CBRE, who then issued Request for Proposals to landlords in the downtown area in February of 2023. GSD received Council approval (CF 23-0604) to negotiate and execute a lease agreement with Gregg Williams, Receiver for Maguire Properties-555 W. Fifth, LLC, for a proposed lease at the Gas Company Tower (GCT). Due to continued deterioration of the market, on July 10, 2023, a significant appraisal reduction occurred, resulting in a change in the controlling class of bond



holders for the property who subsequently proposed materially restructured lease terms for the City in early September prior to lease execution.

In response to the proposed restructured GCT lease terms, the Municipal Facilities Committee (MFC) directed GSD on September 28, 2023 to explore all possible options, which included identifying available office spaces that met the project requirements including temporary swing space. This involved re-issuing RFPs to all viable buildings and landlords including GCT. Responses to the new RFP were analyzed and presented to MFC on October 26, 2023. Additionally, the City received notice that the City's entire premises at the Garland Building had to be vacated upon expiration of the City's lease by February 29, 2024.

GSD will be requesting City Council authority to negotiate and execute a lease agreement, with a landlord which has yet to be determined, in the coming months. It is anticipated that the new long-term lease location will not be move-in ready until approximately December 2024.

INDUSTRIOUS SPACE REVIEW

During this time, departments are open to a staggered telecommute schedule and desk sharing for their staff during this interim period. GSD surveyed each department to determine their operational and workstation needs in the "swing space" while their long-term option was being built out. Based on that survey, GSD and CBRE determined that a total of 300 co-working seats are needed for this time period.

The affected departments toured the Industrious space and were amenable to this location for their interim space needs. Industrious provided a proposal for desk space across two floors located at 444 South Flower Street with 300 desk seats at \$550 per seat. The workspace consists of enclosed multi-workstation rooms ranging in size from two to eight seats, some private offices, print locations, conference rooms, phone booth rooms and break out areas. Amenities include a coffee shop, mail handling area, a kitchen, an outdoor space and on-site restaurant and gym as well as event space.

Departments will be allowed to bring desktop PCs, peripherals, docking stations, and necessary support equipment. There is limited space for working paper files in the "swing space". Departments are being encouraged to digitize working files and take advantage of Google Suite applications which are available to staff. Additionally, office and conference room furniture, task chairs, files, some IT equipment, and other contents which are needed at the new long-term location will be moved to deep storage until the space is move-in ready. The majority of these items will not be accessible to departments during the temporary relocation period.

TERMS AND CONDITIONS

The term is 12 months from delivery of the Office Space, which will be no later than 35 calendar days following execution of the agreement with a rolling right to terminate any time after 12 months (if necessary) upon 60 days notice by the City. The City's project management team estimates a 10-to-12-month schedule to complete the permanent leased location.

Rent will be \$550 per month for each of the 300 seats or \$165,000 per month. There is no additional rent, property tax or operating expense pass-through costs. All custodial, building maintenance, and repairs are handled by Industrious. However, dedicated internet will be at the City's cost of \$1,120 per month.

A complete set of terms and conditions are outlined on the attached term sheet.

PARKING

The City has the right to lease up to 125 unreserved parking passes located on site at \$325 per month through the building's parking operator, ABM Industries, Inc. in a separate agreement. Monthly onsite parking costs will be approximately \$40,625. Additional off-site monthly unreserved parking is available in the vicinity of the building on a month-to-month availability ranging from \$245-\$352 per month. In addition to the 125 on-site spaces, staff will work with each department to secure additional parking spaces as needed at other lots in the vicinity.

TENANT IMPROVEMENTS

The seats and space are offered AS-IS. The use of furnished workspaces, workstations, desk chairs, conference rooms and common areas are included. No phone devices are provided as the City will be utilizing its existing Mobile Worker Remote Program devices.

MARKET ANALYSIS

Based on the current market analysis, the price per seat for co-working space ranges from \$550 to \$900. The preferred license agreement with Industrious offers a per seat cost of approximately \$550, which includes most associated data costs, and represents a 12% discount compared to their quoted rate of \$625 per seat for this location. Additionally, Industrious usually requires a minimum term of 18-24 months, whereas City has negotiated a favorable minimum term of only 12 months, which is a concession to the City. In addition, co-working spaces also offer a significant advantage in terms of square footage and cost efficiency. They have a much higher density occupancy compared to traditional office spaces, meaning that significantly more people can work in the same amount of space. Additionally, co-working spaces often offer available space immediately and require very low capital costs to occupy existing and furnished office space.

The City's contracted broker surveyed other available short-term sublease and direct lease swing space options throughout the downtown area and no superior options were identified, considering the available square footage, timing for delivery and occupancy, the total projected occupancy cost, and potential transaction execution risk for the City. The other primary co-working provider in the market was contacted but was unable to respond, they recently filed for bankruptcy protection and cannot provide viable space options at this time.

COMMUNICATION AND MOVING EXPENSE

Moving estimates for this location have been accounted for in the Quarterly Status Update - Citywide Leasing Program MFC report for this month. Fees associated with data costs and network access are projected to cost \$1,120 per month. Other miscellaneous one-time costs such as ITA costs for network provisioning, etc. are estimated to be approximately \$60,417.


FISCAL IMPACT

Funding in the amount of \$1,896,658 has been budgeted in the 2023-24 FY Citywide Leasing Account for a new lease to replace the Garland location. The Quarterly Status Update - Citywide Leasing Program MFC report accounts for \$1,548,410 for all swing space costs. The total projected cost for this "swing space" during the current FY is \$1,194,142, leaving \$702,516 as savings within the account, and \$354,268 for other swing space costs. Rent will cost \$165,000 per month, or \$825,000 annually. Parking costs are \$325 per space for up to 125 spaces, \$40,625 per month, or \$203,125 annually, and data access costs are approximately \$1,120 per month with one-time data costs estimated at \$60,417. There is no additional impact to the General Fund at this time.

	Monthly Proposed Costs	2023-24 Estimated Expense	2023-24 Available Funding	2023-24 Estimated Savings/ (Shortage)
Rent (5 months)	\$165,000	\$825,000		
Parking (125 spaces @ 5 mo.)	\$40,625	\$203,125		
Data/IT (Monthly cost)	\$1,120	\$5,600		
Data/IT (One-time cost)		\$60,417		
Security Deposit		\$100,000		
TOTAL	\$206,745	\$1,194,142	\$1,896,658	\$702,516

RECOMMENDATION

1. Authorize the Department of General Services, subject to the approval of the Mayor, to negotiate and execute a license agreement with Industrious LA 444 South Flower St., LLC at 444 South Flower Street, Los Angeles, CA 90071 under the terms and conditions substantially outlined in this request.
2. Authorize the Department of General Services, subject to the approval of the Mayor, to negotiate and execute a license agreement with ABM Industries for monthly parking services at 444 South Flower Street for the time frame and at the rate outlined in the report plus key card deposits and associated start-up costs.


 Tony M. Royster
 General Manager

Attachment: Term Sheet

LICENSE AGREEMENT TERM SHEET

MFC DATE	11/16/23
LANDLORD	Industrious LA 444 South Flower LLC
ADDRESS	444 S. Flower Street, Los Angeles, CA 90071
TENANT	City of Los Angeles - Los Angeles Housing Department (LAHD), Economic and Workforce Development Department (EWDD), Community Investment for Families Department (CIFD), Los Angeles Office of Finance (Finance), and Youth Development Department (YDD)
ADDRESS	111 E. 1st St., Room 201, Los Angeles, CA 90012
LOCATION	Four Forty Four South Flower, 444 S. Flower Street, Los Angeles, CA 90071
AGREEMENT TYPE	License Agreement
USE	Temporary administrative office space for the Departments located at 1200 W. Seventh Street.
SQUARE FEET	The co-working Office Space has a total of 300 seats, which include conference rooms and common areas. The City shall have exclusive use of 275 seats on the entire 14th floor, which is approximately 21,894 RSF. Additionally, there are 25 seats on the 13th floor, consisting of approximately 2,319 RSF, and this floor is shared with other non-City Industrious users. The seats are located in a combination of small, medium, large, and extra-large offices, all with multiple seats, and in executive suite spaces. Industrious will use reasonable efforts to assemble and provide contiguous seats on the 13th floor, but cannot guarantee.
TERM	Twelve (12) months.
RENT START DATE	1/15/24 (estimated) The first Monday (or business day if Monday is a holiday) following the later of: (i) thirty-five calendar days following the City's execution and delivery of the License Agreement, and (ii) Industrious' delivery of the entire Office Space to the City.
LICENSE START DATE	Upon City Clerk's attestation
OPTION TERM	None
HOLDOVER	Month-to-month basis at the same terms and conditions as the initial Term of the Agreement on sixty (60) days prior notice by City, subject to City's unlimited, continuous full and partial termination rights for all or any portion of the Office Space on a seat-by-seat basis at no cost to City on sixty (60) days prior notice, with termination effective dates commencing on 1/16/24 onwards.

SUBLET/ ASSIGNMENT	None
TERMINATION	1/31/25 (estimated)
MONTHLY LICENSING FEE	\$165,000 per Month (Three Hundred (300) seats at \$550.00 per Seat on a fixed Monthly Licensing Fee basis)
ESCALATION	None
RENTAL ABATEMENT	None
ADDITIONAL RENT	None (Included in Monthly Licensing Fee)
PROPERTY TAX	None (Included in Monthly Licensing Fee)
OPEX	None (Included in Monthly Licensing Fee)
CAM OTHER	Dedicated internet (100% fiber, 200 Mbps) at the City's cost of \$1,120 per month. Static IP address for the 13th floor at the City's cost of \$20.00 per month. Industrious will provide a private IP address for the 14th floor at no cost to the City.
SECURITY DEPOSIT	\$100,000 (payable upon execution of the Agreement)
MAINT/REPAIR	Building maintenance and repair is included in the Monthly Licensing Fee
IMPROVEMENTS	AS-IS. Use of furnished workspaces, workstations, desk chairs, and conference rooms, and common areas included. No phone service or phone devices will be provided (City employees will use existing Mobile Remote Program devices).
PARKING	City right to lease up to one hundred twenty-five (125) unreserved parking passes located on-site, at \$325.00 per pass per month through a separate agreement with ABM Industries. Additional off-site parking monthly unreserved parking is available in the vicinity of the Building on a month-to-month, availability basis to be secured by the City as needed:
UTILITIES	Included in Monthly Licensing Fee
CUSTODIAL	Included in Monthly Licensing Fee
SECURITY	Included in Monthly Licensing Fee
PROP 13 PROTECTION	Yes (included in Monthly Licensing Fee). There is no provision for pass-throughs for property tax escalations.
INSURANCE (City)	City right to self-insure (still under negotiation)
OTHER:	Restoration – No City obligation to demolish standard office improvements or data

cabling upon lease expiration or termination.

Expansion Options – Subject to space availability, continuous City options to expand on the 13th floor, on a seat-by-seat basis at the same terms and conditions as the initial Office Space and on a conterminous basis, upon City notice to Industrious. The Expansion Option space shall be delivered to City (i) as needed for available space, and (ii) on 35 calendar days from City Expansion Option notice if no available space; provided, however, notwithstanding anything to the contrary in this Term Sheet, Industrious shall not be obligated to (i) terminate any License Agreement, (ii) move any other Member's Office Space, or (iii) otherwise alter any License Agreement to which Industrious is a party, unless the term length of the applicable City Expansion Space is eight (8) months or longer..

Heating, Ventilation & Air Conditioning - Monday through Friday, 8:00 am to 6:00 pm, and Saturday, 9:00 am to 1:00 pm, except for nationally and locally recognized holidays.

Janitorial - Five (5) days per week at Landlord's cost.

Security – On-site building security at Landlord's cost.